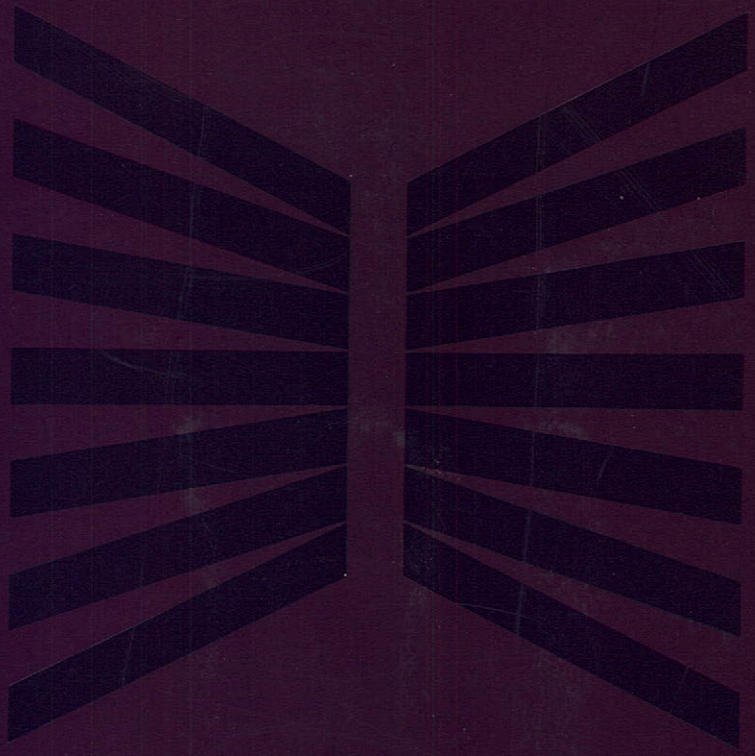
Imasco Annual Report 1993



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The Annual and Special Meeting of Shareholders will be held at 2:30 p.m. on April 28, 1994 at the Salle Ludger-Duvernay, Le Monument National, 1182 St. Laurent Blvd., Montréal, Québec.

Si vous désirez recevoir le rapport annuel en français, veuillez communiquer avec

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This report includes selected information on CT Financial Services Inc., a public reporting company with shares trading on the Toronto and Montréal stock exchanges. CT Financial Services produces an annual report and a copy can be obtained by contacting

Corporate Communications
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Canada Trust Tower
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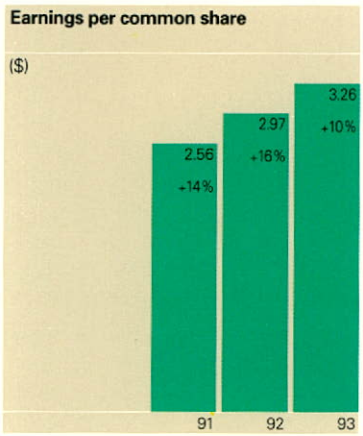
Imasco Limited
Financial Highlights
In millions of dollars

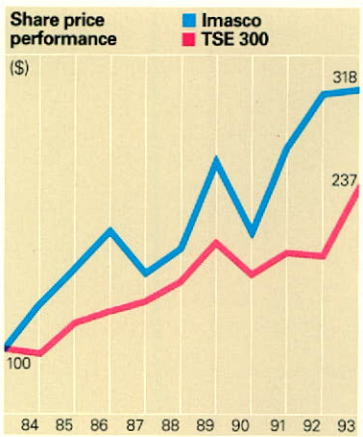
	1993	1992	1991	1992-93 % change	1991-92 % change
Operating results					
System sales	16,453	16,210	15,507	2	5
Revenues, net of tobacco taxes and duties	7,972	7,941	7,908	–	–
Net earnings[1]	409	380	332	7	15
Return on common equity	13.8%	13.7%	12.7%		
Earnings from operations					
Imperial Tobacco	462	432	397	7	9
CT Financial Services	232	252	320	(8)	(21)
Hardee's Food Systems	86	77	46	10	68
Shoppers Drug Mart	100	95	89	5	7
Genstar Development	33	34	30	(3)	16
The UCS Group	(6)	(4)	(2)	–	–
	907	886	880	2	1
Financial condition					
Cash from operating activities	812	845	760	(4)	11
Capital expenditures	296	296	246	–	20
Shareholders' equity[2]	3,100	3,058	2,813	1	9
Debt to total capital ratio[2]	37.9%	39.0%	42.5%		

1 Net earnings in 1993 were $424 million before a loss on the sale of 84 restaurants in Philadelphia.

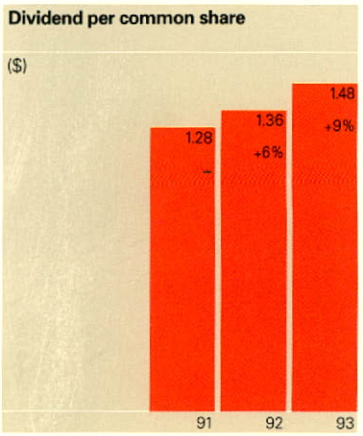
2 In 1993, $200 million of preference shares were refinanced with debt.



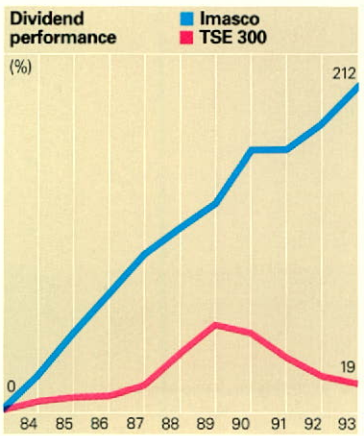
Growth in earnings per share has averaged 13% over the past three years.



With dividends reinvested, a 1984 investment of $100 in Imasco common shares has outperformed the TSE 300 and would have grown to $318 by the end of 1993.



Since 1991, the dividend per common share has been increased by 20 cents or 16%.



Imasco's common share dividend has risen 212% over the past 10 years compared with 19% for the TSE 300.

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Imasco's mission is to build value for its shareholders as a leading consumer products and services company in North America. The company has maintained a tight focus on the consumer sector, and this has been an important success factor.

Imperial Tobacco has achieved success by understanding and satisfying customer preferences, and Canadian smokers now favour Imperial brands by a factor of two to one. In 1993, market share grew by almost one share point to 67.1%.

Canada Trust was *Thinking like a customer* in 1993, providing services when and where customers want them. This included more drive-thrus and automatic banking machines, and EasyLine, a 24-hour-a-day, 7-day-a-week, personal telephone banking service. EasyLine was launched in January and less than ten months later, the London, Ontario, call centre registered its one millionth customer call.

Hardee's customers have come to expect good food, pleasant surroundings, and quick, friendly service. In 1993, the company raised its standards further through a system-wide focus on customer service.

The Shoppers Drug Mart/Pharmaprix positioning statement, *Everything you want in a drugstore,* expresses its commitment to customers, which is the cornerstone of its success. This commitment is exemplified by the patient counselling which accompanies every prescription.

Genstar Development Company creates high quality residential communities. Success is based on understanding and meeting the needs of individual home buyers.

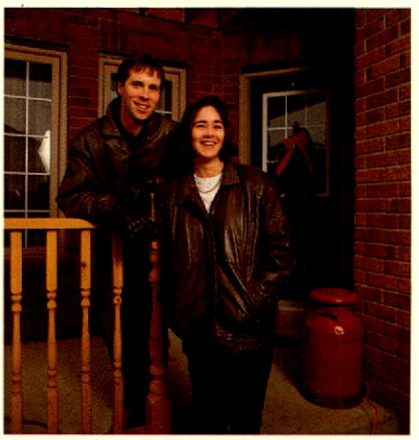
The UCS Group is Canada's leading small space specialty retailer. Customers are served through conveniently located outlets in airports, hotels, shopping malls, and commercial centres.

Hardee's

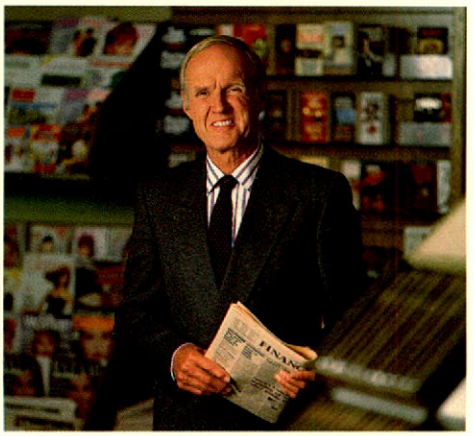
re Pharmacien

Jazz
du Maurier Ltée

Canada Trust
24 Hour
Drive Thru



Canada Trust



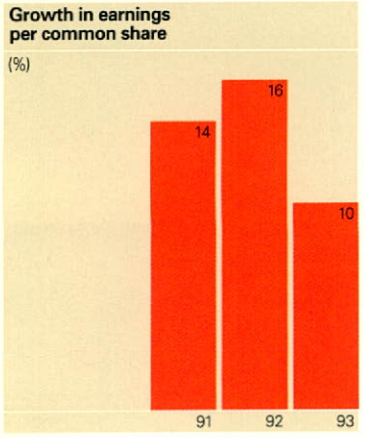
A strong financial performance and the enhancement of our long term competitive positioning: these were Imasco's two principal objectives in 1993. Good results were achieved on both fronts. Our success with this "two track" approach is a tribute to the commitment and ingenuity of almost 200,000 full and part time employees who make up the Imasco family. On behalf of all shareholders and the Board of Directors, we thank them sincerely for their dedicated efforts.

One important way Imasco supports those efforts is by ensuring that employees have the technology and other tools they require to succeed. Continued investment in our businesses is therefore a major thrust. We have chosen to highlight investment activities in this year's annual report and the theme is brought to life in a photo essay which runs parallel to the operating reports.

A strong financial performance

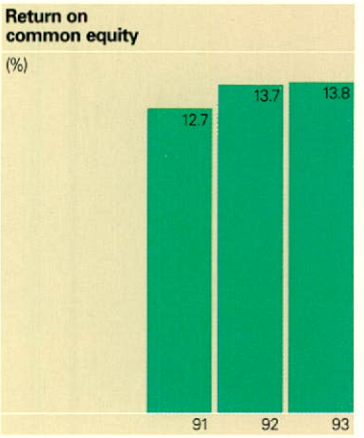
The achievement of superior financial results has been the principal goal of Imasco since its inception more than 20 years ago. Each year, the corporate centre works with the leaders of our businesses, jointly establishing financial plans and other targets which support Imasco's overall corporate objectives. When all is agreed, the leaders have the managerial freedom they need to get the job done.

Imasco's current set of long term financial objectives, adopted in 1990, provides a context for assessing the 1993 results. Earnings per share were $3.26, an increase of 10% which compares with 16% in 1992 and 14% in 1991. Our long term objective is 15%. Before non-recurring costs in the fourth quarter, earnings per share were $3.38 in 1993, an increase of 14%. The costs were related to Hardee's sale of 84 Roy Rogers restaurants in Philadelphia. As a group, these restaurants had been unprofitable, and we judged that the capital and management resources needed to turn the situation around could be better employed elsewhere. The sale is expected to provide a boost to Imasco's annual after tax earnings of approximately four cents per share, beginning in 1994.



The 1993 earnings growth came despite a lower contribution from CT Financial Services, which had to weather another year of very high provisioning for investment losses, and continued weakness in the results of The UCS Group, where the contraband tobacco market took its toll. On the other side of the ledger, the contributions of Imperial Tobacco, Hardee's, Shoppers Drug Mart/Pharmaprix, and Genstar Development all met or exceeded expectations.

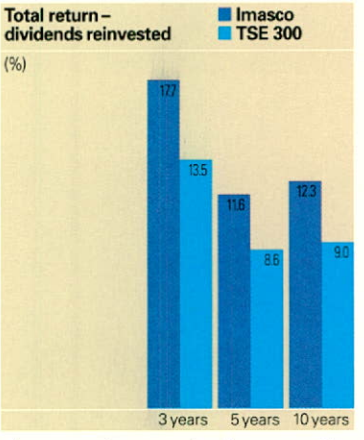
Specific strategies to increase revenues and a focus on improving productivity are behind the earnings success. These themes are common to all of Imasco's businesses. At Imperial Tobacco, revenues grew as the company's *Player's* and *du Maurier* brands recaptured most of the volume and market share given up in 1992 when exports were voluntarily reduced. Genstar Development was able to exceed its forecasted revenues by bringing land in the Toronto region to market earlier than planned. Re-engineering at CT Financial Services permitted the opening of 16 branches, and expansion of alternative distribution and sales initiatives, with less staff overall. Continuing and successful cost management played an important part in the earnings growth of Hardee's and Shoppers Drug Mart/Pharmaprix in 1993. Both companies operate in segments where margins are under pressure from fierce competition and structural change.



Reflecting the earnings performance, Imasco's return on common equity reached 13.8% in 1993 which compares with 13.7% in 1992, 12.7% in 1991, and a long term objective of 15%.

Imasco generates significant amounts of free cash which we define as cash flow after interest, taxes, dividends, and capital reinvested. Again this year, our principal businesses all contributed and, in the aggregate, $326 million was generated. Over the past three years, $784 million of free cash has strengthened the balance sheet considerably. In 1993, $281 million of debt and preference shares were retired, and this has brought our debt to total capital ratio down to 37.9%, close to the long term objective of 35%.

The cash flow results have not been at the expense of keeping our operations competitive. We recognize that reinvestment in Imasco's businesses is a critical success factor, and we are committed to supporting the growth of our businesses provided the returns from proposed projects exceed the cost of capital to the sponsoring companies. In the last three years, $838 million has been invested in Imasco's businesses to support growth and enhance competitiveness.



Most important from an investor's perspective is our commitment to providing a superior total return to shareholders, measured by share price appreciation and dividends. While many factors can have an influence on share price, our role is to deliver superior results and communicate pertinent information, effectively and evenly, to our financial publics. Imasco's two objectives for dividends are to distribute at least 40% of the estimated current year common share earnings and to increase the dividend annually by at least the rise in the Consumer Price Index. Over three years, the increase has been 16% which compares with a 9% rise in the CPI. The common dividend

payout amounted to 45.4% of common share earnings for the year, compared with 45.8% in 1992 and 50.0% in 1991. Measured over three, five, and ten year time frames, the total return on Imasco shares, with dividends reinvested, has been 17.7%, 11.6%, and 12.3% respectively. These returns compare with 13.5%, 8.6%, and 9.0% for the TSE 300.

Enhancing long term competitiveness

As indicated at the outset, superior financial performance is the key element of success, as we define it at Imasco. To make sure that superior financial performance is achieved on a long term basis, we must continually evaluate the competitiveness and positioning of our businesses against the environments in which they operate. A major responsibility of the corporate centre is to establish a framework that keeps strategic plans current, and important issues constantly under review. We approach this task from a position of strength. Our consumer focus, which is an inheritance from Imperial Tobacco, has given us the right orientation for a world in which the customer sets the standard. Although each of our businesses has developed a leading franchise with consumers, we know that we cannot rest on our laurels.

In 1993, Imasco's companies devoted substantial effort and resources to stepped-up strategic reviews. While the work is ongoing, at Hardee's and CT Financial Services, some fruits of this labour are already visible. In the last three years, re-engineering projects at Hardee's have reduced annual administrative costs by US $36 million, and resulted in a company that is not only leaner, but also quicker on its feet, and more responsive to customers. Having taken several significant steps to tighten its focus on retail financial services, CT Financial Services increased key business volumes, and achieved modest growth in total market share. Further initiatives by these and other Imasco companies will be introduced in 1994 and beyond.

Reinvesting cash flow in our businesses, referred to earlier in this letter, is another important tool to enhance competitiveness. Looking forward, plans call for continuing high levels of capital investment. Keeping our stores, restaurants, and branches fresh and inviting is a priority as are technology investments that will help us achieve pace setting service levels, and establish cost advantages over competitors.

Competitive advantage also flows from sound investments in people, through training and development. Continuous learning in its many forms has increasingly become a way of corporate life at Imasco. In 1993, one notable new initiative in this area was the Senior Management Development Program. This innovative three week forum brought together 13 of Imasco's promising young managers from all our businesses. The curriculum blended some of the latest thinking from the business school world with intensive visits to each operating company, and a living case study on Imasco. Participants deepened their knowledge of Imasco while sharpening their business skills through close interaction with our senior executives and leading academics. They also developed fruitful relationships with each other, and now form the nucleus of an informal resource network that cuts across functional and company lines. The participants judged the program an unqualified success, one we will build on in 1994.

An unwarranted and unfair tax

On February 8, 1994, the federal government announced a series of measures to eliminate tobacco smuggling. The Québec government acted on the same day, and New Brunswick and Ontario have since followed suit. Smuggling had become an enormous problem in Canada with very serious social and economic consequences. Indeed, it had reached the point where governments had to take action.

The business consequences of the contraband market were equally troublesome. Most badly hurt were Imperial's wholesaling partners and retailers, particularly in Québec, but increasingly in Ontario and the Maritimes. Working effectively with the distribution side of the business has been one of Imperial's great strengths. The movement of the tobacco trade outside legal channels deprived the company of one of its key competitive tools.

As the contraband market developed, the incidence of counterfeit and look-alike products increased steadily to satisfy demand that would have normally been met by legitimate brands. In the American market, Imperial's products disappeared almost as fast as they were shipped and U.S. retailers were constantly out of stock. The available supply inevitably flowed to the highest return – the contraband segment.

Imperial Tobacco had repeatedly warned Canadian governments of the possible adverse consequences if tobacco taxes were increased too much, particularly in relation to the United States. The governments

chose not to listen. When organized smuggling did surface, Imperial cooperated with governments in various anti-smuggling programs. From April 1992 until March 1993, Imperial cut back its exports drastically at the request of the federal government. The government's theory was that the contraband market was supply driven. However, because the contraband market was price driven, the problem did not go away; it worsened. Other products, many of them manufactured outside Canada, filled the void left by Imperial's brands. This exercise in forbearance proved to be costly for Imasco shareholders, and resulted in a substantial loss of market share for Imperial Tobacco.

After providing advance notice to the federal government, Imperial Tobacco lifted its export restrictions in March 1993. It was not an easy decision to make. The dilemma was that Imperial's export restrictions were not restraining the growth of the contraband market and, if exports were not allowed to rise to meet demand, the temporary damage to its business would become permanent. The best interests of Imperial's employees, suppliers, and customers, and Imasco shareholders were therefore important considerations.

With the current series of anti-smuggling measures, governments attacked the real cause of tobacco smuggling, their own tax policies. This was very welcome, if not long overdue. However, one of the elements introduced was a three year surtax on the manufacturing profits of Canadian tobacco companies. At the time of announcement, the government implied that the surtax is a punitive measure, imposed to punish the tobacco companies for bad behaviour. This ignored the fact that it was the large differential between Canadian and U.S. tobacco taxes that gave rise to smuggling, and that Imperial Tobacco has cooperated extensively with the government in trying to solve the problem. From our perspective, the tobacco manufacturing surtax is unwarranted and unfair.

Corporate governance

There has been a great deal of public discussion recently on corporate governance, and how boards of directors should be structured and act to best serve the interests of shareholders. Intense scrutiny is now being directed toward executive compensation, a consequence of new regulatory rules requiring detailed individual disclosure. Imasco has long had a pay-for-performance culture supported by appropriate compensation practices. A detailed discussion of our policies and incentive plans can be found in this year's proxy circular.

Imasco's governance structure has evolved over time, and we believe it is highly effective. Many significant corporate governance matters are decided by Board committees which are controlled by non-executive directors. However, the leaders of our principal businesses are members of the full Board. This enables them to contribute to the overall governance of Imasco while providing non-executive directors with direct and frequent access to these key people. Such access helps the non-executive directors assess the calibre of management, and better understand Imasco's businesses and the issues they face.

Murray Koffler founded Shoppers Drug Mart and built it into a tremendous success. After Murray sold his business to Imasco in 1978, he stayed on to run it until 1983 and is involved to this day as Honorary Chairman. He joined Imasco's Board following the acquisition and has made an outstanding contribution. Having reached the prescribed retirement age, Murray will be stepping down at this year's annual meeting. His enquiring mind, wise counsel, and good humour will be sadly missed.

Bill Bennett has decided to scale back his business activities and will also be leaving our Board of Directors this year. Bill's strong leadership of the Audit Committee, his business acumen, and his insights into Western Canada and political processes have been extremely helpful over the years.

Peter Maurice retired as Chief Executive Officer of CT Financial Services and has been succeeded in that role by Ed Clark. Peter will not stand for reelection to the Imasco Board. However, he continues to be actively involved as Vice-Chairman of CT Financial Services, focusing on its external publics and its U.S. operation, First Federal Savings and Loan Association of Rochester. A specialist in corporate planning, Peter directed the transition of Canada Trust into one of the leading retail financial institutions in Canada and spearheaded the company's expansion into the United States.

On behalf of all shareholders, we sincerely thank Murray, Bill, and Peter for their many valuable contributions, and we wish each of them well in their future endeavours.

We are pleased to acknowledge a new member of the Board of Directors, J. Robert S. Prichard, President of the University of Toronto. Rob was appointed last October and will stand for election at this year's annual meeting. With excellent credentials in law, academia as well as administration, Rob is a very good addition to the Imasco Board.

Outlook

In 1994, we will continue to focus on producing superior financial results while enhancing the long term competitiveness of our businesses. We have good prospects for earnings growth and cash generation. As the year progresses, additional initiatives arising from our focus on strategic planning will be launched.

Overall, we believe Imasco is well positioned to serve an increasingly powerful and discriminating clientele by building on the strong consumer franchises that our businesses have developed. Reflecting this confidence, the Board of Directors increased the common share dividend by 5% to $1.56 at its February meeting.

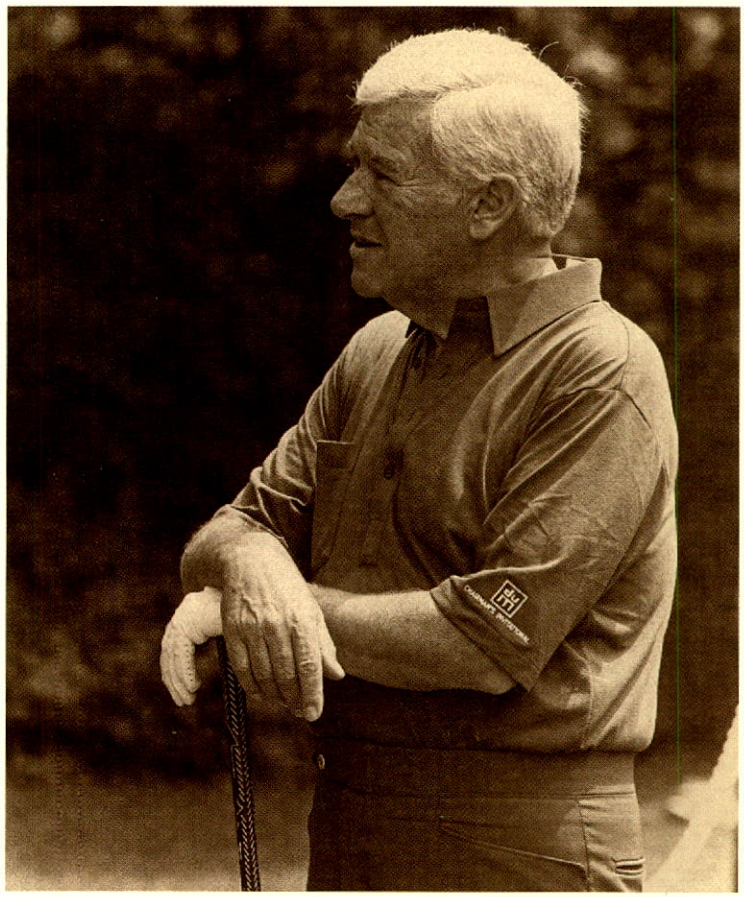
On behalf of the Board of Directors,

Purdy Crawford
Chairman and
Chief Executive Officer

Brian Levitt
President and
Chief Operating Officer

February 21, 1994

L. Edmond Ricard
1921-1993



We note with profound regret the death of L. Edmond Ricard on December 16, 1993 at the age of 72. Mr. Ricard was President and Chief Operating Officer of Imasco from 1979 until 1985. At the time of his retirement in 1986, he was Vice-Chairman and a director.

Mr. Ricard joined Imperial Tobacco in 1941, and after World War II, in which he served four years in the Royal Canadian Airforce, he resumed his employment with the company. Over a 45-year career in sales and marketing, he rose steadily to eventually preside over Imperial.

As a marketing man, Ed Ricard kept a close interest in the company's sponsorships of sports events, most notably the Canadian Open Golf Championship which he helped raise to the status of a major event in the professional golf world.

Mr. Ricard will be remembered by his many friends and associates for his devotion to his family, his contribution to the success of Imperial Tobacco and Imasco's other companies, the care and interest he showed in all employees, regardless of what their role was in the company, and his commitment to a strong, united Canada.

On behalf of the directors, officers and employees of the Imasco group of companies, we extend our deepest sympathy to his family.

Highlights of operations				Years ended December 31	
Millions of dollars, except as noted	**1993**	1992	1991	1990	1989
Revenues	**2,860**	3,050	2,953	2,708	2,386
Revenues, net of tobacco taxes and duties	**1,151**	1,083	1,041	963	896
Earnings from operations	**462**	432	397	367	334
Market share–domestic manufactured cigarettes (%)	**67.1**	66.2	62.0	60.0	57.9
Additions to capital assets	**28**	36	22	23	23

Imperial Tobacco offers a full range of quality tobacco products and is the industry leader in Canada. Its cigarette trademarks include the two largest selling domestic brand families, Player's and du Maurier.

For the past 20 years, Imperial Tobacco has invested extensively in consumer research and maintained a tight focus on the Canadian tobacco market. We believe the key to success is knowing our customers and carefully applying that knowledge to satisfy their preferences. Since 1973, Imperial's share of the Canadian domestic cigarette market has grown from 37.1% to 67.1%, a full 30 share points.

Operating results in 1993 were very good, despite rather difficult circumstances. When the year began, we had been voluntarily limiting exports for about nine months, cooperating with the federal government in its attempt to control the growth of tobacco smuggling. However, by then it was obvious that the government's restraint program was not working. Imperial Tobacco had reduced its 1992 cigarette exports by more than a billion units from the prior year level with no discernible impact on the contraband market. In fact, the contraband market grew at an ever-increasing rate. The forensic accounting firm of Lindquest Avey MacDonald Baskerville Inc. reported at the time that other manufacturers' products, domestic and foreign, were simply filling the void left by the withdrawal of Imperial's brands.

In March 1993, we provided the federal government with our assessment of the situation and advised that in the best interests of our employees, our suppliers, Canadian tobacco growers, and Imasco shareholders, we could no longer restrict the level of exports. Over the balance of the year, shipments grew steadily, and most of the lost market share had been recouped by year end. The recovery can be attributed to the strength of Imperial's leading trademarks, *Player's* and *du Maurier*.

It is now understood by virtually everyone that very high Canadian tobacco taxes are at the root of the contraband problem. In response to mounting public pressure, on February 8, 1994, the federal and Québec governments announced a series of corrective measures. The centrepiece was an across-the-board federal tax roll back of five dollars per carton of 200 cigarettes and additional reductions in conjunction with provinces that choose to participate. The effect was to reduce the retail price of a carton of cigarettes in Québec by more than 50% to about $22. New Brunswick and Ontario later reduced their taxes. All of this was most welcome, as was the announced intensification of enforcement activities. However, the new three year surtax on tobacco manufacturing profits is another matter. In our view, the surtax is both unwarranted and unfair. The blame for organized tobacco smuggling lies with government tax policy, not with Canadian tobacco manufacturers.

Despite our strong objections to the surtax, we do support the efforts of the federal and provincial governments to close down the contraband market and we hope that the announced corrective measures will be successful. This is clearly in the best long term interests of Imperial Tobacco.

Beyond restoring an orderly and legal tobacco market in Canada, one of the biggest issues facing Imperial Tobacco is the gradual decline in smoking by Canadians. For many years, we have successfully maintained production volumes by increasing market share. While we expect this to continue, as Imperial's market share grows and the total market continues to shrink, maintaining volumes will become increasingly difficult. Consequently, profit growth will become more dependant on productivity improvements and sales to markets outside Canada.

There are three essential elements in our strategy going forward. We will extend our leadership in the Canadian market, further gaining market share by satisfying the preferences of Canadian smokers better than our competitors. We will continue to focus on productivity. And, over time, we will systematically explore opportunities in strategic markets outside Canada in order to maintain, or even grow, production volumes.

Imperial has a long tradition of success. I have every confidence in the determination of our employees and in their ability to successfully implement these business plans. By so doing, we expect to maintain our ability to generate strong cash flow and steady earnings growth.

Donald Brown
Chairman, President, and Chief Executive Officer

The Imperial Tobacco leaf processing operations, based in Aylmer, Ontario, have been significantly upgraded over the past three years. The goal of the project, involving an investment of $21 million, was to update Imperial's facilities and processes to the highest possible standards and ensure that they are as efficient as they possibly can be. Tangible benefits to the company include enhanced productivity, more flexibility, and better quality control. Above, David Cartwright, a process operator in one of the two Aylmer plants, stands proudly by his new operating console.

Reinvesting capital in Imasco's businesses to support their growth and strengthen their competitiveness has played an important role in the company's success. During the past three years, $838 million has been invested to enhance technology, maintain the fresh, inviting appearance of branches, restaurants, and stores, grow distribution networks, and upgrade manufacturing capabilities.

In each planning cycle, available capital is allocated taking into consideration strategic objectives and the need to achieve superior financial returns. As a basis for allocation decisions, Imasco increasingly relies on an approach known as shareholder value analysis (SVA) supplemented by traditional measures such as internal rate of return calculations. (over)

Already, almost 35% of Canada Trust's customer transactions are processed outside the branches and the number is growing rapidly. With busier lifestyles and demographic changes, customers require more flexible and accessible banking services. Canada Trust is responding by investing in electronic distribution channels. In 1993, over 200 automated banking machines were placed in Canada Trust branches, drive-thru facilities, and retail locations, including some Shoppers Drug Mart stores. EasyLine, *launched in 1993, is one of the most convenient and complete telephone banking services available anywhere. The response was so favourable that well over a million customer calls were received in the first year. Fielding many of those calls was Julie Blanchard, an* EasyLine *investor services representative in London, Ontario.*

SVA involves calculating the present value of a proposed investment by discounting its projected future cash flow stream. The discount factor used varies from business to business because it is an estimate of the cost of capital for the particular industry involved. A surplus of present value over the amount of investment required indicates that shareholder value will be created.

Returns only start to flow when capital investment projects are matched up with resourceful members of the Imasco family. In this year's annual report, we meet four of them.

Highlights of operations					Years ended December 31
Millions of dollars, except as noted	**1993**	1992	1991	1990	1989
Revenues[1]	**3,703**	3,999	4,320	4,274	3,788
Net investment income[1]	**1,050**	1,049	957	841	749
Provision for investment losses	**205**	236	115	70	30
Earnings from operations (CT Financial Services' pre-tax earnings)	**232**	252	320	318	357
Net earnings attributed to common shareholders	**145**	181	210	201	240
Return on average common shareholders' equity (%)	**7.9**	10.2	12.8	13.2	17.3

1 Prior years' amounts have been restated to conform with the current year's presentation.

CT Financial Services is a market leader in personal financial services with assets under administration of $166 billion. Canadians know the company as Canada Trust through its operations in all 10 provinces. A comprehensive package of customer-friendly services is provided through a network of 389 branches, 593 banking machines, 50 drive-thrus, and EasyLine, a 24 hour telephone banking service. In the United States, CT Financial Services operates through First Federal Savings and Loan Association of Rochester which also specializes in personal financial services and has 82 branches, primarily in New York State.

The North American economy did not provide CT Financial Services with the help we expected in 1993, and we were faced with another year of relatively high provisions for investment losses. However, net non-performing investments have now declined for five consecutive quarters, and the expectation is that provisions will be lower in 1994.

Declining interest rates, combined with an intensely competitive environment, also dampened 1993 earnings. While our volumes increased during the year, the movement of funds by customers seeking higher returns resulted in significant changes in the mix of business which, in turn, produced lower spreads. This result underlines the importance of the re-engineering work currently underway. As we become more efficient, we gain the ability to increase profitability at lower spread levels.

There were several very positive developments during the year. Business volumes in retail banking have continued to grow, and measurable progress has been made on expense control. We are now doing more business with fewer employees so our overall productivity is also moving in the right direction.

We took steps to tighten our business focus as well. The company's direct involvement in residential real estate brokerage was scaled back and reorganized by joining forces with Coldwell Banker. Canada Trust retains an interest in the expanded network, which is to be entirely franchised and will continue to be a source of mortgage loans. Similarly, the property management services for our commercial real estate holdings have been contracted out. Once transition costs are absorbed, these two transactions will add to profitability.

Improving our competitiveness in the retail financial services market is the critical element of our business plan. Major investments have been made in marketing, product development, and distribution, particularly alternate forms of distribution such as telephone banking and automated banking machines. Midway through the year, we launched a new corporate image program and new advertising in support of our increased focus on serving retail customers. We adopted the theme line, *Thinking like a customer*, a statement that works well, both externally and internally, to communicate where our priorities lie. While the payback from these investments will take time, we are encouraged by the early returns, most notably that our domestic market share increased slightly in 1993 after four years of modest declines.

First Federal has steadily increased its contribution to earnings since the acquisition in 1991. First Federal's management has plans in place to lower costs in 1994 while increasing loans and deposits in a very competitive market.

With ownership of both Canada Trust and First Federal, CT Financial Services can offer personal financial services to the North American market. Over time, First Federal and Canada Trust will become more integrated in areas where it makes sense, with the ultimate goal of offering the best package of personal financial services on the continent.

Looking ahead, our principal objectives for 1994 are to gain market share while improving the profitability of our core retail financial services business. Targets have been set for volume growth, productivity improvements, and a reduction in controllable costs. These initiatives, coupled with the expected lower level of provisions for investment losses, are expected to result in a year of good earnings growth.

W. Edmund Clark
President and Chief Executive Officer

Highlights of operations				Years ended December 31	
Millions of Canadian dollars, except as noted	**1993**	1992	1991	1990	1989
System sales	**6,397**	5,750	5,012	4,833	4,146
Revenues	**2,625**	2,365	2,097	2,153	1,787
Earnings from operations (millions of US dollars)	**67**	63	40	62	101
Earnings from operations	**86**	77	46	72	119
Average sales per restaurant (thousands of US dollars)	**1,016**	1,011	938	940	922
Additions to capital assets	**83**	90	61	145	155

Hardee's Food Systems operates the fourth largest restaurant system in the United States. The restaurants operate under two well established trademarks, Hardee's and Roy Rogers. A subsidiary, Fast Food Merchandisers, provides food and other supplies to system restaurants and a growing number of outside customers. At year end, there were 4,060 restaurants of which 1,197 were company-operated and 2,863 were licensed.

In 1993, Hardee's Food Systems achieved good earnings growth, extending the strong recovery that began last year. It has been two years of extraordinary achievement, and our employees deserve tremendous credit for their efforts.

To date, the emphasis has been on fundamentals: the things you must do well in order to survive and grow in a maturing industry. At the restaurant level, this means good food, cleanliness, pleasant surroundings, and friendly service. Nothing is more important, and we set out to improve these first. Our customer service ratings are now much higher, and there is more to come.

Restaurant results also were helped by focusing on high-end products such as fresh fried chicken and the Hardee's *Frisco Burger*. Hardee's advertising theme over the past two years, *Are You Ready for Some Real Food*, reinforced this positioning with consumers. While selected money-saving meal combinations were offered late in the year, for the most part, we managed to avoid the deep discounting activity that preoccupied competitors. Some low margin business and customer traffic were given up in the process, but we achieved higher overall restaurant profitability.

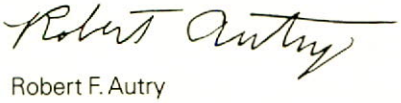
The corporate office and administrative functions of Hardee's have been re-engineered and reorganized over the past two years. The overriding objective has been to improve service and support. To instill financial discipline, we benchmarked expenses, item by item, with competitors and set targets for each department. The result was a very significant productivity improvement and a major contribution to earnings growth.

Fast Food Merchandisers provides food, supplies, and distribution services to the restaurants. It too had a very good year in 1993. FFM is now working harder than ever on products and services that will reduce restaurant costs. Pre-cooked and sliced roast beef, and prepared salads are two initiatives that have already been implemented.

At Roy Rogers, productivity improved but sales were below expectations. Steps to improve the top line in 1994 are being taken. We also have agreed to sell the 84 company-operated Roy Rogers restaurants in Philadelphia, and the transaction is expected to close in the first quarter of 1994. Because these restaurants had been unprofitable for many years, significant amounts of time and money would have been required to turn things around. The sale will improve earnings from operations immediately and permit an intensified focus on the Baltimore, Washington, and New York markets where the Roy Rogers trademark is stronger.

Among the priorities at Hardee's for 1994 is a series of measures to increase restaurant sales. A fresh approach to advertising, neighbourhood marketing programs, and exciting new additions to the menu form part of the strategy. The emphasis on productivity also will continue with attention now turning more fully to the productivity of the restaurants themselves and to that of the total restaurant system.

With profits now growing again, we will be reinvesting more capital in the system, and we will begin preparing the ground for sustainable growth in the longer term. The accomplishments to date, while significant, should be viewed as first steps in a larger plan to relaunch Hardee's and Roy Rogers as more dynamic and effective competitors. It is an exciting story, and one that is still unfolding.



Robert F. Autry
President and Chief Executive Officer

Finding ways to increase restaurant efficiency, without sacrificing food quality, is of major importance to Hardee's. The best initiatives lower operating costs while giving restaurant employees more time to look after the needs of customers. Over the past two years, Hardee's and FFM have invested approximately US $17 million in projects which meet these criteria. The new Fixin's Bars *in the restaurants make it possible for customers to dress their own sandwiches, exactly the way they like them, while eliminating one of the chores normally done by kitchen employees. Two new products from FFM, pre-cooked and sliced roast beef and prepared salads, have also cut down on behind-the-scenes labour. Charlotte Blanton, crew supervisor at a company-operated restaurant in Rocky Mount, North Carolina, shows off the roast beef sandwich and salad products. In the background, is one of the new* Fixin's Bars.

Acquisitions, new store openings, and renovations to keep existing stores fresh and inviting are vital in the competitive world of drug store retailing. Shoppers Drug Mart/Pharmaprix invested almost $34 million in its store system in 1993, acquiring or opening 25 stores and renovating many more. Unique among the openings is the new Shoppers Drug Mart at the intersection of Yonge and King, in downtown Toronto. The building itself is interesting. A former bank branch, at 9,200 square feet it is very spacious for a drug store in the city centre. The store occupies two floors with the upper level being serviced by an escalator. The overall effect is excitement and a clean, bright, open look. Shoppers Drug Mart associate, Felicity Lee-Shanok, shares ownership of the store with co-associate, Michael Lovsin. Felicity is shown in the new store, surrounded by an array of the popular Life Brand *private label products.*

Highlights of operations				Years ended December 31	
Millions of dollars, except as noted	**1993**	1992	1991	1990	1989
System sales	**3,181**	3,089	2,934	2,844	2,598
Revenues	**181**	172	162	148	136
Earnings from operations	**100**	95	89	82	72
Average sales per store	**5**	5	4	4	4
Average sales per square foot (dollars)	**801**	806	786	778	736
Number of stores	**690**	678	671	645	633
Additions to capital assets	**50**	41	31	34	27

Shoppers Drug Mart/Pharmaprix is the market leader in Canadian drug store retailing. Health care needs are the significant merchandise focus, with prescriptions and over the counter medications making up approximately 44% of the sales mix. An important strength of the company is the associate concept under which pharmacists own and operate the Shoppers Drug Mart and Pharmaprix stores under license. The associates contribute the entrepreneurial zeal that has fuelled the company's growth to a 690 store system, operating from coast to coast.

The earnings contribution of Shoppers Drug Mart/Pharmaprix grew to a record $100 million in 1993, extending a history of continuous growth that dates back to 1978 when the company joined the Imasco group. It is an achievement that we are very proud of, and it has truly been a team effort. That team now numbers nearly 25,000 company employees and employees of our associates. They make it happen and are to be congratulated for another outstanding performance.

It was not a year in which earnings growth came easily. Throughout 1993, prescription margins were under pressure as governments, employers, and individuals looked for ways to save on health care costs. Moreover, very competitive retail conditions affected gross margins in virtually every other product category as well, and tobacco sales plummeted 21% as more and more Canadians turned to the contraband market.

We responded forcefully to each of these challenges with marketing initiatives, measures to preserve margins, and careful cost management. For example, through advertising, we maintained a year-long focus on prescriptions and the customer benefits associated with our computerized Health Watch record-keeping system. Prescriptions filled and prescription sales dollars both increased as a result.

September marked our most ambitious coupon promotion ever, and the stores enjoyed record sales in the featured merchandise categories. This event was followed in December with a new Christmas catalogue, delivered to virtually every household in Canada. By the time the year ended, comparable sales were up with the increases in other categories more than making up for the decline in tobacco sales.

Careful tuning of the sales mix was required to preserve gross margins while continuing to offer exceptional value. Exclusivity, good margins, and the attractive customer savings associated with *Life Brand* and *Rialto* items made private label an obvious place to start. Largely as a result of our growing success in promoting these products, overall gross margins actually rose slightly in 1993.

Strenuous cost management and improved productivity also contributed to the earnings growth. During the year, 13 underperforming stores were closed and 25 stores were acquired or opened for a net increase of 12 stores. Despite the growth in the system, we succeeded in keeping administrative costs below prior year levels.

Recognizing that tighter margins and increased competition are here to stay, we are already midway through a major strategic review of the company's competitive positioning. Our goals include increased productivity, reduced operating costs, and lower merchandise acquisition costs. Capital investment is being increased with emphasis on new stores and information technology. As well, we are continuing to expand and invest in our private label program.

The coming year will again be difficult, but there will be opportunities as well. We have aggressive growth plans, and we expect to benefit from industry consolidation, gaining additional market share by acquiring independent stores and small chains. In the longer term, the demographics are favourable for drug store retailing. To reap the benefits, companies will have to be positioned to succeed in an ever more competitive market. Shoppers Drug Mart/Pharmaprix has embarked on a proactive course of action and the future is promising.

David Bloom
Chairman and Chief Executive Officer

Genstar Development Company

Millions of dollars, except as noted	1993	1992	1991	1990	1989
				Years ended December 31	
Revenues	**98**	96	67	93	125
Earnings from operations	**33**	34	30	36	55
Single family lots sold	**1,705**	1,553	1,173	1,745	2,020
Parcels and raw land sold (acres)	**38**	93	67	30	210
Land inventory (acres)[1]	**21,160**	20,406	19,035	18,802	18,972
Land inventory acquired (acres)[1]	**1,090**	1,811	587	174	1,349

1 Includes land held through joint ventures and partnerships.

Genstar Development Company creates master-planned residential communities out of raw land and sells the serviced lots and land parcels to builders. The company's skills are applied directly to its own land holdings and through joint ventures with other landowners. Genstar operates in Western Canada, Ontario, Minnesota, and California.

One of Genstar's strengths is its extensive, low-cost land inventory, spread across diverse markets. The results in 1993 demonstrate this strength. Superior earnings contributions from British Columbia, Alberta, and Toronto compensated for weaker demand in the other markets. The overall result was earnings which exceeded expectations.

Success through the years has been based on our ability to add value to land by transforming it into attractive residential communities. In recent years, high asking prices for raw land have made replacing inventory a problem in some areas of Canada. Consequently, we have concentrated on more attractive opportunities in the United States.

Genstar has a small, but very experienced and talented, employee group and has long been known for quality projects. These assets are proving to be attractive to American landowners. We have entered into joint venture projects in Minneapolis-St. Paul and San Diego, and others are being considered. The longer term earnings prospects of these projects are very attractive, and the capital investment is modest.

The economy has a major impact on housing markets and, given current conditions, we expect relatively stable results in the short term. As the outlook improves and activity levels in both Canada and the United States increase, earnings will grow.

Les Cosman
President

The UCS Group

Millions of dollars, except as noted	1993	1992	1991	1990	1989
				Years ended December 31	
Revenues	**288**	302	305	315	286
Earnings (loss) from operations	**(6)**	(4)	(2)	9	8
Average sales per store (thousands of dollars)	**590**	588	580	592	543
Average sales per square foot (dollars)	**825**	821	811	834	790
Number of stores	**476**	501	526	533	531
Additions to capital assets	**4**	2	5	6	5

The UCS Group operates 476 stores across Canada in high traffic areas such as shopping malls, commercial centres, airports, and hotels. Five of the airport stores are duty-free outlets. The principal merchandise categories in the other stores include tobacco products, reading materials, and confectionery.

Tobacco sales in The UCS Group stores fell sharply again in 1993, a direct consequence of unchecked growth in the contraband market. In terms of units, 1993 tobacco sales were less than half what they were in 1989, when tobacco accounted for approximately 60% of the sales mix. Recent actions by governments to eliminate the contraband market appear to be working and should lead to higher tobacco unit sales in 1994.

During 1993, our efforts were directed toward replacing lost tobacco sales and improving our cost structure. As a result, store merchandising has been changed to increase confectionery and soda sales, and administrative expenses have been reduced significantly. A number of unprofitable stores have been closed. At year end, we were operating 476 stores, down from a peak of 533 in 1990. Approximately $3 million in costs related to the closings were fully expensed in 1993.

The year ahead will be pivotal for The UCS Group. A thorough review of our existing operations and structure was initiated last year, and this will be completed in 1994. We are taking a broad view of the business and how it should be positioned in the longer term. The objective is to steer a course towards sustainable profit growth in the future, and we have an outstanding team of experienced employees dedicated to the task.

Norman Latowsky
Chairman and Chief Executive Officer

Imasco's Board of Directors has ultimate responsibility for the management of Imasco, including the oversight of its Operating Companies (Imperial Tobacco, Hardee's Food Systems, Shoppers Drug Mart, Genstar Development Company, and The UCS Group), its investments, and its ownership interest in CT Financial Services.

The Board of Directors discharges its responsibilities directly and through its committees. At regularly scheduled meetings, members of the Board receive and discuss reports on the Operating Companies and CT Financial Services as well as on Imasco's overall financial position and its investments. Strategic and financial plans are approved. In addition, developments and issues of current relevance are reviewed and reports of Board committees are received and considered. Additional meetings are held as required. There were seven meetings of the Board of Directors in 1993.

Many significant corporate governance matters are decided by Board committees which are controlled by non-executive directors. However, the leaders of Imasco's principal businesses are members of the full Board. This enables them to contribute to the overall governance of Imasco while providing non-executive directors with direct and frequent access to these key people. Such access helps the non-executive directors assess the calibre of management, and better understand Imasco's businesses and the issues they face.

The management of CT Financial Services and First Federal Savings and Loan Association of Rochester is the ultimate responsibility of their respective boards of directors. Three senior executives of Imasco are directors of CT Financial Services, and one is a director of First Federal. Purdy Crawford, Chairman and Chief Executive Officer of Imasco, is the non-executive Chairman of CT Financial Services.

Following is a brief description of the mandate of each Board committee, its composition, and the number of meetings held during the year.

Executive Committee

The Executive Committee may exercise all the powers of the Board, with certain exceptions prescribed by law.

The Executive Committee met three times in 1993.

Chairman: Purdy Crawford
Members: William R. Bennett, Nan-Bowles de Gaspé Beaubien, Charles H. Hantho, Murray B. Koffler, Brian M. Levitt, Russell E. Palmer, Angela C. Peters, J. Robert S. Prichard, Bernard A. Roy, Ronald D. Southern.

Human Resources Committee

The mandate of the Human Resources Committee is to:

- Cause to be formulated and monitor the implementation and effectiveness of compensation policies to ensure that Imasco and its Operating Companies are able to recruit, retain, and motivate performance-oriented executives and that their interests are aligned with the interests of Imasco shareholders;
- Oversee succession and development plans for Imasco and its Operating Companies and make recommendations to the Board;
- Recommend to the Board the appointment of the officers of Imasco, as well as the most senior officer of each Operating Company;
- Assess at least annually the performance of the Chief Executive Officer and determine his or her compensation and benefits;
- Review annually with the Chief Executive Officer the performance of the most senior officers of Imasco and the most senior officer of each Operating Company, and determine their compensation and benefits;
- Administer the Stock Option Plan and approve stock option grants in accordance with the terms and conditions of the plan.

The Human Resources Committee met six times in 1993.

Chairman: Murray B. Koffler
Members: William R. Bennett, Nan-Bowles de Gaspé Beaubien, Charles H. Hantho, Russell E. Palmer, Angela C. Peters, J. Robert S. Prichard, Bernard A. Roy, Ronald D. Southern.

Audit Committee

The principal functions of the Audit Committee are to:

- Review annual and interim financial statements and all legally required public disclosure documents containing financial information, before they are approved by the Board;
- Review the nature and scope of the annual audit;
- Evaluate the external auditors' performance for the preceding fiscal year, review their fees, and make recommendations to the Board.
- Examine the presentation and impact of significant risks and key management estimates and judgments that may be material to Imasco's financial reporting;
- Review the internal auditors' audit plan for the ensuing year, budget, organization, activities, and performance;
- Review the adequacy of internal accounting control procedures and systems;
- Review compliance with Imasco's Code of Business Conduct and Conflicts of Interest Policy.

The Audit Committee met seven times in 1993.

Chairman: William R. Bennett
Members: Charles H. Hantho, Jack A. Laughery, Jean-Louis Mercier, Bernard A. Roy.

Nominating Committee

The mandate of the Nominating Committee is to:

- Annually review and evaluate the performance of all directors and the Board as a whole and recommend to the Board the members proposed for reelection to the Board;
- Annually review the compensation and benefits of the directors in their capacity as directors and make recommendations to the Board;
- Select new candidates for Board membership and make recommendations to the Board;
- Annually review the committees of the Board, as well as their memberships and chairs, and periodically review their powers and mandates, and make recommendations to the Board.

The Nominating Committee met three times in 1993.

Chairman: Angela C. Peters
Members: Nan-Bowles de Gaspé Beaubien, Murray B. Koffler, Ronald D. Southern.

Robert F. Autry (14)

Rocky Mount, North Carolina. Director since 1991. President and Chief Executive Officer, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of Boy Scouts of America, East Carolina Council, Rocky Mount Boys Club. Rocky Mount Advisory Board, Centura Bank.

The Hon. William R. Bennett, P.C. (12)

Westbank, British Columbia. Director since 1987. Director of Canadian Pacific Forest Products Limited, Teck Corporation.

David R. Bloom (6)

Thornhill, Ontario. Director since 1983. Chairman and Chief Executive Officer, Shoppers Drug Mart. Chairman, Canadian Association of Chain Drug Stores. Director of CT Financial Services Inc., Mount Sinai Hospital. Advisory Board, Faculty of Administrative Studies, York University.

R. Donald Brown (17)

Westmount, Québec. Director since 1993. Chairman, President, and Chief Executive Officer, Imperial Tobacco Limited.

Purdy Crawford (4)

Westmount, Québec. Director since 1973. Chairman and Chief Executive Officer, Imasco Limited. Chairman, CT Financial Services Inc. Director of Camco Inc., Canadian Pacific Forest Products Limited, Dominion Textile Inc., Inco Limited, Trinova Corporation. Governor, McGill University, Royal Victoria Hospital Corporation. Advisory Board, Oxford Frozen Foods Limited.

Nan-Bowles de Gaspé Beaubien (10)

Westmount, Québec. Director since 1987. Vice-Chair and Director, Gasbeau Inc. Vice-Chair, Telemedia Corp. Co-Chair and Director of the International Centre for Family Enterprises, Inc. Director of Canadian Association of Family Enterprises, Terry Fox Humanitarian Award Committee.

Raymond E. Guyatt, C.A. (8)

Westmount, Québec. Director since 1990. Executive Vice-President and Chief Financial Officer, Imasco Limited. Director of CT Financial Services Inc.

Charles H. Hantho (3)

Montréal, Québec. Director since 1993. Chairman, President, and Chief Executive Officer, Dominion Textile Inc. Director of Inco Limited, Dofasco Inc., TransAlta Corporation. Chairman, Montréal YMCA Foundation.

Murray B. Koffler, C.M. (11)

Willowdale, Ontario. Director since 1978. Honorary Chairman, Shoppers Drug Mart. Vice-President and Director, Four Seasons Hotels, Ltd. Director of Canadian Jewish News, Canadian Council for Native Business, Dynacare Inc., Canadian Council on Drug Abuse.

Jack A. Laughery (2)

Rocky Mount, North Carolina. Director since 1981. Chairman, Hardee's Food Systems, Inc., Fast Food Merchandisers, Inc. Director of First Union Corporation, Carolina Telephone and Telegraph. Member of the Republican National Committee, Papa John's International, Inc.

Brian M. Levitt (5)

Westmount, Québec. Director since 1989. President and Chief Operating Officer, Imasco Limited. Director of CT Financial Services Inc., First Federal Savings and Loan Association of Rochester, Montcrest School, Westbury Canadian Life Insurance Company. Advisory Board, Faculty of Management, McGill University.

Peter C. Maurice (18)

London, Ontario. Director since 1992. Vice-Chairman, CT Financial Services Inc. Chairman, Canada Trust Income Investments. Director of Dofasco Inc., C.D. Howe Institute, First Federal Savings and Loan Association of Rochester, Consumers' Gas Company Ltd., Silcorp Ltd., Junior Achievement of Canada, Lawson Research Institute, St. Joseph's Health Care, The Canadian Institute for Advance Research, Huron Country Playhouse.

Jean-Louis Mercier (7)

Ste-Julie-de-Verchères, Québec. Director since 1979. Vice-Chairman, Imasco Limited. President and Director, Imasco Pension Fund Society.

Russell E. Palmer (1)

Bryn Mawr, Pennsylvania. Director since 1989. Chairman and Chief Executive Officer, The Palmer Group. Director of Allied-Signal Inc., Bankers Trust Company, Bankers Trust New York Corporation, Contel Cellular, Inc., Federal Home Loan Mortgage Corporation, GTE Corporation, Safeguard Scientifics, Inc., The May Department Stores Company, The Goodyear Tire & Rubber Company.

Angela C. Peters (16)

Halifax, Nova Scotia. Director since 1987. Director of Xerox Canada Inc.

J. Robert S. Prichard (15)

Toronto, Ontario. Director since 1993. President, University of Toronto, and Professor, Faculty of Law, University of Toronto. Director of Japan Society, Toronto Economic Advisory Committee, Association of Universities and Colleges of Canada. Governor, University of Toronto, Upper Canada College. Trustee, Royal Ontario Museum, Toronto Hospital.

Bernard A. Roy, Q.C. (13)

Nuns' Island, Verdun, Québec. Director since 1989. Senior Partner, Ogilvy Renault. Chairman, Board of Trade of Metropolitan Montréal. Director of Canadian National Railway Company, Domtar Inc., Intrawest Development Corporation, Métro-Richelieu Inc., Montréal Symphony Orchestra, Trizec Corporation. Governor, Université de Montréal, National Theatre School of Canada, Royal Victoria Hospital Corporation. Trustee, Stanstead College, McCord Museum.

Ronald D. Southern, C.M., M.B.E. (9)

Calgary, Alberta. Director since 1993. Chairman and Chief Executive Officer, ATCO Ltd., Canadian Utilities Limited. Director of Canadian Pacific Limited, Chrysler Canada Ltd., Fletcher Challenge Canada Limited, Lafarge Corporation, PWA Corporation, Royal Insurance Limited, Xerox Canada Inc.

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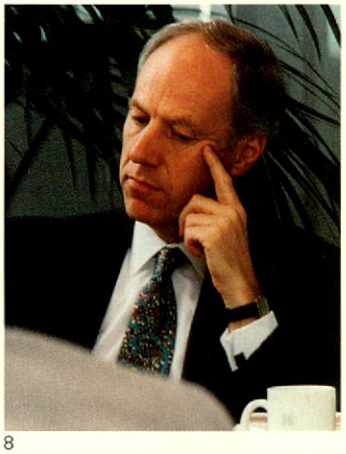

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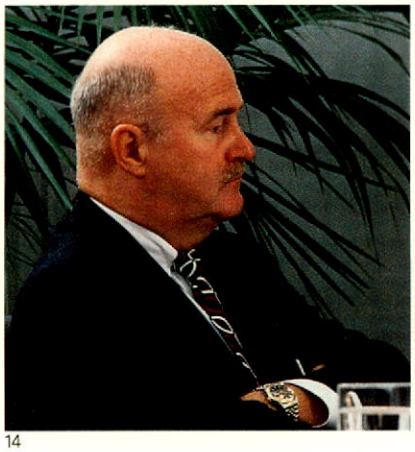

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Canadians are renowned as giving people, and most believe that corporations also have a responsibility to provide financial support to charities and non-profit organizations. Since its inception in 1970, Imasco has shared this high ideal.

Imasco companies are in contact with the public every day. From the corporate home base of Montréal to thousands of other locales across the continent, Imasco has a strong commitment to strengthening the communities that have contributed so much to its growth. In turn, these stronger communities provide better markets for Imasco's goods and services. Corporate giving is therefore rewarding in many ways, and it promotes *esprit de corps* among Imasco employees.

Imasco's approach

Non-profit organizations have increasingly turned to the private sector for assistance in providing social and human services. With constraints in government spending and an aging population, there is a growing demand for their services. Educational and cultural activities are also vital to our national well-being and cannot be allowed to languish. Imasco gives widely to a large number of organizations to benefit as many people and causes as possible. It also makes certain strategic donations, granting larger amounts to particular causes or projects.

In 1993, Imasco and its wholly owned Canadian operations increased their giving to $4.6 million while Hardee's contributed an additional $492,000. Canada Trust maintains a separate corporate donations program and distributed $3 million. Together, Imasco companies contributed over $8 million to charitable organizations in Canada and the U.S.

1993 Donations by Imasco companies

Corporate Donations Committee	$3,070,000
du Maurier Arts Ltd.	1,344,000
Imperial Tobacco	30,000
Shoppers Drug Mart/Pharmaprix	121,000
Canada Trust	3,000,000
Hardee's Food Systems (Cdn $)	492,000
Total	**$8,057,000**

Support for democracy in Canada

Imasco also makes donations to political organizations that support the principles of a strong private business sector and democratic government. In 1993, the Board of Directors approved contributions of $194,700. Included were $120,500 to federal and provincial parties, $9,200 to foundations and fundraising events, and $65,000 to leadership campaigns. Imasco has never sought, expected, or received any consideration for political donations other than the satisfaction of having contributed to the proper functioning of the democratic political process.

- Imasco's Corporate Donations Committee contributed over $3 million to 620 organizations across Canada in 1993. A complete list of the donations is published annually, and copies can be obtained by contacting the company.
- In response to the U.N. Declaration of the International Year of the Disabled in 1981, Imasco established a scholarship fund to help disabled students attend university. The endowment is now $275,000 and, over the thirteen year period, 186 scholarships have been awarded to 109 students.
- The involvement runs deeper than financial support. Community volunteerism and charitable fundraising by all employees are actively encouraged, with top management leading by example.
- Through du Maurier Arts Ltd., Imperial Tobacco has an unmatched commitment to funding the arts in Canada. In 1993, du Maurier Arts increased its financial support to $1.3 million, benefitting 131 organizations across the country. Since its creation in 1971, over $35 million in grants and promotional support has been distributed.
- The Friends of the Environment Foundation is a non-profit organization founded by Canada Trust in 1990. Customer contributions are matched by Canada Trust, and the Foundation has already raised over $3 million to fund 1,700 local environmental projects in communities across Canada.
- First Federal's community efforts are focused on programs which provide opportunities for home ownership by low income individuals and families.
- Hardee's Rise and Shine for Community Service was established in 1993. The purpose is to create a national program for charitable giving by Hardee's and its licensees. In conjunction with USA TODAY, worthy community service projects will be presented in monthly newspaper features.
- Shoppers Drug Mart/Pharmaprix is deeply involved in health care projects and community sports programs. The company is also the lead sponsor of the Toronto Marathon, the proceeds of which benefit the Hospital for Sick Children and the United Way.
- The Matinée Fashion Foundation was established in 1993 to provide financial support to promising Canadian fashion designers. Player's Ltd., du Maurier Ltd., and Matinée Ltd. continued to bring world class tennis, golf, motor-racing, and equestrian events to Canadians.

By donating more than 1% of pre-tax earnings, Imasco qualifies as an *Imagine Caring Company*. The purpose of the *Imagine Campaign* is to stimulate volunteerism as well as donations from individuals and the corporate sector.

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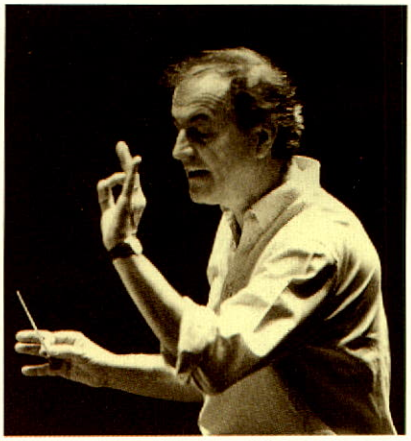
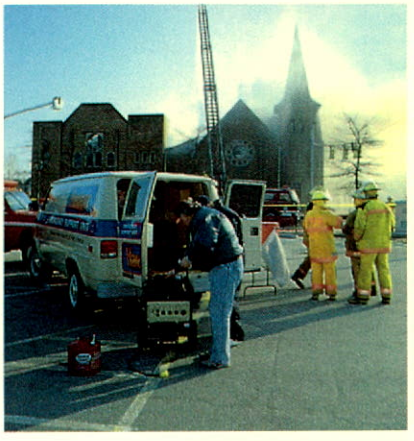


LA FONDATION MODE
Matinée Ltée



SHOPPERS DRUG MART
SHOPPERS DRUG MART
TORONTO MARATHON

PLAYER'S LTD.

The following comments and analyses, appearing on pages 18 to 24, 29, 31 and 33, are intended to be read in conjunction with the consolidated financial statements of the Corporation.

Results of operations by operating company

Imperial Tobacco

Net revenues increased 6% in 1993 primarily due to increased prices. Manufacturer's prices of cigarettes were raised 7.3% in July 1993 and 4.9% in September 1992, while total 1993 shipments of cigarettes and roll-your-own products increased 2.1%. Gross revenues, whose principal components are domestic tobacco taxes and duties, declined 6% in 1993 because a larger proportion of sales were in the export and duty-free markets where tobacco taxes and duties do not apply. There were no changes to federal tobacco tax rates in 1993 or 1992.

During 1993, the contraband market continued to grow in response to Canadian demand for reasonably-priced cigarettes. With increased smuggling, domestic shipments of tobacco products continued to decline, harming the legitimate wholesale and retail trade in Canada, and the export and duty-free markets grew considerably. Based upon Statistics Canada figures and Imperial Tobacco estimates, the Canadian industry's total shipments designated mainly for North American markets were:

	1993	1992	1991
Domestic:	Billions of cigarettes or approx. equivalents		
Cigarettes	30.2	35.1	38.9
Roll-your-own	5.0	6.3	7.4
Export and duty-free:			
Cigarettes	14.4	8.1	6.6
Roll-your-own	2.8	2.3	2.4
Total[1]	52.4	51.8	55.3

1 Excludes foreign manufactured products available in Canada and consumer purchases of raw leaf tobacco.

Shipments of tobacco products by Canadian manufacturers alone no longer provide a true indication of total Canadian consumption. During 1993, foreign manufactured products entered Canada illicitly, and consumers purchased raw leaf tobacco to make their own cigarettes. Including these elements, Imperial Tobacco estimates 1993 total industry volume at 54.0 billion cigarettes or approximate equivalents compared with 54.7 billion in 1992, a decrease of 1.1%.

Imperial Tobacco's shipments and estimated share of market (as defined in the previous table) were:

	1993	1992	1991
Domestic:	Billions of cigarettes or approx. equivalents		
Cigarettes	20.3	23.2	24.2
Roll-your-own	2.0	2.3	2.4
Export and duty-free:			
Cigarettes	6.2	2.5	3.7
Roll-your-own	0.4	0.3	0.3
Total	28.9	28.3	30.6
Market share (%)[1]	55.2	54.7	55.4

1 Excludes foreign manufactured products available in Canada and consumer purchases of raw leaf tobacco.

Earnings from operations increased 7% in 1993 and represented 40.2% of net revenues compared with 39.9% in 1992. The improvement in earnings from operations resulted from increases in sales volumes and prices together with a shift in sales mix to higher margin products.

In support of the federal government program to reduce smuggling, Imperial Tobacco voluntarily restricted its export sales from April 1992 until March 1993. Other suppliers filled the void, and Imperial Tobacco's decision to restrain shipments had no apparent effect on the growth of smuggling. The restraint program did result in a decline in Imperial Tobacco's overall market share and unsatisfied demand for its products. After resuming shipments, Imperial Tobacco gradually recaptured market share in the export and duty-free segment. Imperial Tobacco's share of manufactured cigarette shipments to this segment rose to approximately 45% in 1993 from 31% in 1992. In 1991, prior to the restraint action, its share was 57%. In the domestic duty-paid market for manufactured cigarettes, Imperial Tobacco's market share continued to grow, reaching 67.1% in 1993 from 66.2% in 1992. This gain demonstrates the strength of its two major trademarks, *Player's* and *du Maurier*, which together accounted for 57.7% of the domestic market.

The incidence of smoking among Canadians, calculated as the percentage of adults, surveyed by an independent research firm, who claim to smoke cigarettes, declined from 32.1% in 1989 to 30.6% in 1992 and 29.0% in 1993. The average decline over the period was 0.8 points per annum.

The high taxation policies of the federal and provincial governments are the primary cause of the alarming growth of smuggling in various parts of Canada. In order to reduce the smuggling problem, the federal and Québec governments announced a series of corrective measures on February 8, 1994. The federal measures have the effect of reducing the tax collected on a carton of cigarettes by $5.00 nationally and provide for additional reductions to match provincial tax reductions that exceed $5.00 a carton, to a maximum federal reduction of $10.00. For its part, the Québec government, among other measures, reduced taxes on a carton of cigarettes by $11.00. Combined with the federal tax reduction, this lowered the retail price of a carton of cigarettes in the province of Québec by approximately 50%. Subsequent to the actions taken by the federal and Québec governments, the governments of New Brunswick and Ontario announced reductions in cigarette taxes of $7.00 and $9.60 per carton, respectively. As of February 21, 1994, the remaining provinces, where smuggling is not as widespread, either have chosen not to roll back tobacco taxes or have delayed any decision pending further evaluation.

The federal government initiatives also include the introduction of an excise tax of $8.00 per carton of cigarettes on export sales in excess of three percent of the prior year's production. Sales to Canadian duty-free stores and to tax-paid foreign markets are exempt from the export tax. Furthermore, the measures include a three-year surtax on profits of tobacco manufacturers which in total, over the period, is expected to generate approximately $200 million to fund a range of activities aimed at reducing smoking. In addition, the federal government announced that it will increase enforcement of the law along the Canada-U.S. border to reduce the illegal trade of tobacco and other products. Finally, the measures include legislation and regulations raising the minimum age of tobacco purchase from 16 to 18, restricting the location of tobacco vending machines, and regulating the size of cigarette packages. New regulations under the Tobacco Products Control Act (TPCA) are also contemplated.

On October 14, 1993, the Supreme Court of Canada granted Imperial Tobacco leave to appeal from the 1993 Québec Court of Appeal judgment declaring the TPCA to be valid legislation. The TPCA is a federal statute that bans all forms of tobacco trademark advertising in Canada and governs the labelling and monitoring of tobacco products. Since the TPCA does not preclude spill-over advertising of foreign tobacco products, this could be detrimental to the sale of Canadian brands. In 1991, the Québec Superior Court had ruled that the TPCA was unconstitutional.

The government appealed this decision to the Québec Court of Appeal, and the original Québec Superior Court judgment was overturned. The timing of a final decision by the Supreme Court on the constitutionality of the legislation is uncertain, but is not expected to be rendered until late 1994. In the meantime, Imperial Tobacco is preparing new packaging to comply with regulations under the TPCA which must be implemented by September 1994.

In November 1993, the Ontario government proposed legislation which, if enacted, would reduce the legitimate retail distribution network for tobacco products by banning their sale in various health facilities, by drug stores, and by vending machines. The proposed legislation would also prohibit selling or giving tobacco products to a person under age 19, forbid smoking in a variety of places, and authorize the regulation of tobacco packaging and the posting of health warning signs by retailers. Other provinces, including Nova Scotia, Newfoundland, British Columbia, and Manitoba, have either adopted or are proposing to adopt legislation imposing restrictive measures covering the sale, distribution, and consumption of tobacco products.

Demographics, health concerns, societal pressures against smoking, and government legislation will continue to be factors that could unfavourably impact the industry. Notwithstanding this environment, Imperial Tobacco has consistently generated increased earnings through price increases, market share growth and, to a lesser extent, productivity improvements. The recent measures announced by the federal government should bring back an orderly and legal market for tobacco products in Canada when all provinces choose to participate. However, the three-year surtax will negatively impact the after-tax results of Imperial Tobacco. Some of the additional taxes should be offset by additional volume resulting from increased market share, as Imperial Tobacco's share of domestic duty-paid manufactured cigarettes is higher than its share of the export and duty-free markets. Imperial Tobacco plans to continue to employ its strong Canadian trademarks and expertise to generate growth in market share. During 1994, a comprehensive activity based costing study involving all aspects of the company will be completed. It is anticipated that improvements in productivity will result from this program. Also, during 1994 and 1995, additional investments will be made in technology to further improve the efficiency of operations. For the longer term, opportunities in international markets are being explored.

CT Financial Services

General economic conditions have a direct impact on the results of CT Financial Services. Interest rates in North America continued to decline throughout 1993. These declines resulted in slow deposit growth as customers shifted from traditional deposit instruments to higher yielding investments such as debt and equity mutual funds. The unemployment rate remained high in Canada and, coupled with depressed residential and commercial real estate markets, contributed to limited growth in Canadian mortgage portfolios in 1993. In the United States, the unemployment rate declined, and housing starts grew during the year. These factors, together with continued low interest rates, contributed to significant growth in mortgage originations at First Federal in 1993.

Net earnings attributed to common shareholders in 1993 decreased 20% to $145 million. The provision for investment losses remained high in 1993, but was below 1992 levels. First Federal's contribution to net earnings in 1993 amounted to $38 million compared with $36 million in 1992. Fully diluted net earnings per common share declined from $1.51 in 1992 to $1.21. Return on fully diluted common shareholders' equity was 7.9% for 1993 compared with 10.2% in 1992, while net earnings as a percentage of average assets was 0.36% compared with 0.45% in 1992.

The principal business segments of CT Financial Services are financial intermediary services, asset management or fiduciary services, and real estate property investment. The majority of earnings is derived from financial intermediary services. Revenues of CT Financial Services, as reported by Imasco Limited, were as follows:

	1993	1992	1991
			Millions of dollars
Gross investment income	3,321	3,620	4,006
Fees	355	335	297
Other income	27	44	17
	3,703	3,999	4,320

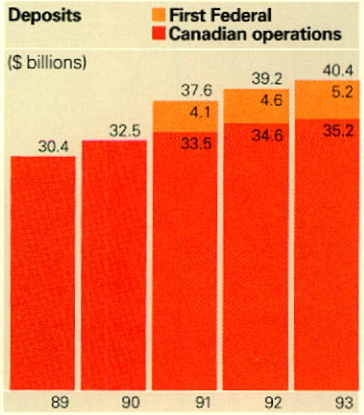
Net investment income, which is the difference between revenue earned on investments and interest expense on deposits and borrowings, was $1.1 billion in 1993, virtually unchanged from 1992. Net investment income can be adjusted to a taxable equivalent basis to reflect the differing tax treatments accorded income derived from various types of investments. Management believes that this provides a more meaningful comparison. On a taxable equivalent basis, net investment income was $1.2 billion in 1993, unchanged from 1992. Net interest rate differential, the rate of return on averaged interest earning assets less the rate of interest expense on averaged interest bearing liabilities, on a taxable equivalent basis, was 2.32% in 1993 compared with 2.50% in 1992. The components of net investment income and the net interest rate differential in 1993 are detailed in the following table:

	Average balance	Income/ expense	Average rate
			Millions of dollars
Investments	44,541	3,421	7.68%
Deposits and borrowings	42,330	2,271	5.36%
		1,150	2.32%

The change in net investment income from 1992 caused by variations in volume and rate is detailed as follows:

	Volume	Rate	Net
			Millions of dollars
Investments	265	(581)	(316)
Deposits and borrowings	172	(472)	(300)
	93	(109)	(16)

The net interest rate differential in Canadian operations declined during 1993 to 2.27% from 2.46% in 1992 due primarily to a change in deposit mix. First Federal's net interest rate differential declined from 2.74% to 2.55% during 1993 for two reasons. During 1992, interest rate collars maintained spread despite declining interest rates and, in 1993, early prepayments by consumers taking advantage of favourable rates caused spreads to decline.



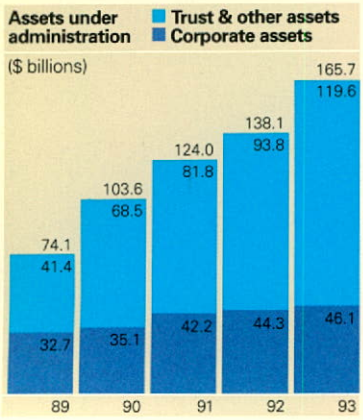
Lending operations are funded primarily with retail customer deposits. Total deposit growth was $1.2 billion or 3% in 1993 compared with $1.6 billion or 4% in 1992. Demand deposit growth was 4% compared to 9% in 1992, while term deposit growth was 3% for 1993. Low interest rates throughout 1993 caused consumers to shift funds on deposit to higher yielding investments. Growth in term deposits was primarily in deposits with a term of less than

two years and in RSP SuperRate deposits. At December 31, 1993, virtually all of First Federal's deposits were from U.S. retail customers with the remainder being corporate deposits. First Federal also borrows from the Federal Home Loan Bank at a cost of funds typically lower than retail deposits.

Residential mortgages, the largest component of investments, represented 52% of total investments at December 31, 1993. Growth in residential mortgages was 6% during 1993 compared with 8% in 1992. Commercial mortgages declined 10% from 1992. Vacancy rates in commercial property in Canada were high throughout 1993, which resulted in limited commercial construction in most major Canadian markets. First Federal's mortgage portfolio at December 31, 1993 was $5 billion of which 98% was residential mortgages. First Federal mortgage originations grew by 56% during the year to $2.5 billion.

Securities are the second largest component of investments and amounted to $7.0 billion at December 31, 1993. Other than short term government bonds, they are substantially composed of high quality shares, long term government bonds, and mortgage-backed securities backed by mortgages guaranteed by U.S. federal agencies. These securities are highly liquid in the U.S. secondary market and are considered low risk.

Service fees, which are earned primarily from financial intermediary services, increased 1% during 1993 to $212 million.



Asset management fees grew reflecting the rise in assets under administration from $138 billion to $166 billion and an increase in the number of accounts and transactions. Personal trust fees were $66 million in 1993 and 1992, while pension trust fees were $41 million, an increase of 5%. Mutual fund assets under administration grew 89% to $3.4 billion in 1993 and, as a result, mutual fund fees earned were up 80% over 1992.

Other income was down 39% from 1992 reflecting lower revenues from sales of mortgage-backed securities.

Provision for investment losses is the amount charged to earnings to increase the allowance for investment losses to prudent levels. In 1993, the provision for investment losses was $205 million, down from $236 million in 1992. The apportionment of the provision for investment losses among investment categories was as follows:

	1993	1992	1991
			Millions of dollars
Loans			
Mortgages–residential	38	34	11
Mortgages–commercial	66	29	56
Corporate	12	112	4
Credit card receivables	–	16	29
Other	16	19	16
Securities	66	18	(3)
Real estate acquired in settlement of loans	7	8	2
	205	236	115

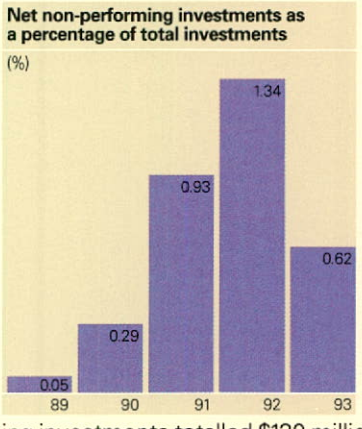
The provision for investment losses in Canadian operations was $170 million in 1993 compared with $195 million in 1992. First Federal's provision for investment losses was $35 million in 1993 compared to $41 million in 1992 and was primarily for residential mortgages.

Management of CT Financial Services provides what it considers adequate allowances against all known potential credit risks, and these allowances are reviewed quarterly by the audit committee of CT Financial Services' board of directors. The method for calculating the allowance for investment losses is set out on page 27, and the apportionment among investment categories and between specific and general is detailed in Note 7 on page 35.

The allowance was charged with investment losses and write-offs of $246 million in 1993, consisting primarily of commercial mortgages and preference shares, and credited with recoveries of $47 million. This compares with a charge to the allowance of $117 million in 1992, primarily for commercial mortgages and corporate real estate loans, and recoveries of $19 million. First Federal's allowance for investment losses was $70 million at December 31, 1993. Its general allowance rose slightly to $46 million from $43 million in 1992, and its specific allowance decreased to $24 million. Certain statistical information with respect to the allowance for investment losses is set forth in the following table:

	1993	1992	1991
Allowance for investment losses			
(Millions of dollars)	350	342	197
As a % of investment losses	176%	349%	328%
As a % of non-performing investments	55%	37%	34%
As a % of total investments	0.77%	0.78%	0.47%

Total non-performing investments were $634 million at December 31, 1993, a decrease of 32% from $930 million the previous year, and are detailed in Note 6 on page 35. The carrying values of investments classified as non-performing are reduced by an allowance for investment losses upon determination that such values exceed the estimated net realizable value of these investments. Non-performing investments net of the allowance for investment losses were $284 million at December 31, 1993 compared with $588 million in 1992. This represented 0.62% of total investments and 13% of consolidated shareholders' equity of CT Financial Services compared with 1.34% and 30% respectively in 1992. First Federal's non-performing investments totalled $130 million at December 31, 1993, down from $203 million in 1992, and represented 0.76% of its total investments.



Operating expenses increased 6%, or $55 million, over 1992. Operating expenses in Canada increased 5% during the year, while US dollar operating expenses at First Federal increased 2%. During 1993, $11 million was provided for the repositioning of non-core business. The largest components of CT Financial Services' operating expenses are salaries and employee benefits which increased 6% in 1993 and represented 53% of total operating expenses, unchanged from 1992. Occupancy costs rose 5% over 1992 reflecting net increases of 16 branches in Canada and 14 branches in the United States.

Pre-tax earnings in 1993 were $232 million compared with $252 million in 1992, a decrease of 8%. This amount represents the earnings from operations of CT Financial Services reported by Imasco.

CT Financial Services' statutory income tax rate for 1993 was 44.2%. This rate was reduced by 13.3% due to income from non-taxable investments and by 9.0% due to income earned in foreign jurisdictions where lower tax rates apply. On a combined basis, CT Financial Services' overall effective income tax rate in 1993 was 24.1% compared with 19.0% in 1992.

CT Financial Services' overall philosophy is to identify and avoid unnecessary risks that could impact assets and earnings.

Interest rate risk is the risk that interest rate changes might adversely affect current and future earnings. A movement in interest rates can affect net investment income if the change in cost of funds relative to the yield on investments does not coincide. As well, changes in interest rates can cause movement in funds and/or assets to different terms. If volume shifts of funds and assets do not coincide, future earnings and cash flows can be affected. CT Financial Services' Canadian and U.S. treasury operations are managed independently. To limit interest rate risk in Canadian operations, assets and liabilities are managed to ensure that random fluctuations in interest rates do not adversely affect net investment income. Exposures are actively managed through retail product strategies, the use of derivative hedges, investment strategies, and other capital market alternatives. Some products are specifically hedged when appropriate. A comprehensive information system is used to monitor and analyze interest rate sensitivity, maturities, and cash flows. Forecasting models are used to estimate the impact of rate changes on current and projected mismatches, and simulation modelling is used to measure the volatility of net investment income against a range of interest rate environments. First Federal uses income simulation and market value of portfolio equity calculations to assess interest rate risk. First Federal's strategy is to maintain risk within acceptable levels, while providing opportunity to take limited advantage of market conditions. First Federal manages net investment income, while keeping risk within strict guidelines. A high proportion of CT Financial Services' deposits is interest rate sensitive within a year. The under one year mismatch is managed closely by each company to ensure that a material mismatch does not develop.

Liquidity risk is the possibility of not being able to meet depositors' demands for funds or borrowers' requirements for credit advances. It is controlled by maintaining readily cashable securities and managing the maturity structure of loans and deposits to ensure adequate cash flow. Maintenance of certain liquidity ratios is required by various Canadian and U.S. statutes for regulated companies. Monitoring and reporting systems ensure appropriate action is taken when declines in liquid assets occur.

Credit risk is the risk of not receiving full payment of principal when an investment is due as well as the risk of not receiving the full amount of income expected throughout its term. This risk is controlled through diversification, strict lending and investment criteria, and limits on exposure to individual borrowers. The recessionary economic environment has in past cycles led to significant increases in loan delinquency, non-performing investments, and investment losses. The largest portion of the loan portfolio is secured by residential real estate. Regular reviews are made of all investments and specific provisions made where there is doubt that the full carrying value will be realized.

Foreign exchange risk is managed through daily matching of currency positions. Derivative financial instruments, such as interest rate and cross currency swaps, interest rate options, and foreign exchange contracts, are used as supplementary risk management tools to manage interest rate and foreign exchange risk. Notional values of derivative financial instruments held by CT Financial Services at year end are set out in Note 12 on page 37.

In past years, inflation has had complex effects on financial institutions leading to material changes in customer borrowing and depositing habits. CT Financial Services attempts to control the effects of changing inflation expectations through close monitoring of asset-liability management policies.

In 1993, the Canada Deposit Insurance Corporation (CDIC) finalized standards for sound business and financial practices. Compliance with these standards is a prerequisite to receiving deposit insurance coverage for the Canadian regulated companies. CDIC standards promote prudent management of credit and other risks associated with lending and securities portfolios, use of real estate appraisals, liquidity, changes in interest rates, foreign exchange, capital management, and internal controls. The standards require management and boards of directors to establish policies and to regularly review risk management programs in each of the areas identified by CDIC.

Approximately 74%, or $32 billion, of deposits and other borrowings at year end were payable within one year. Of these, $21 billion were savings deposits payable after notice. Management of CT Financial Services expects earnings in 1994 to provide sufficient cash flow to fund capital expenditures, payment of amounts due on notes, mortgages and debentures, and payment of dividends. Capital investment for 1994 in computers, furniture and equipment, and branch premises, excluding land and buildings, is projected to be $107 million in Canadian operations and $21 million in First Federal. The remainder of funds will be invested in liquid investments, securities, loans, and real estate investment properties. There are no anticipated or known restrictions on CT Financial Services' ability to declare or pay dividends in the future.

Capital funds provide a foundation for future growth and protection against losses and serve as a basis for accepting deposits and continuing expansion of credit services. Capital funds in CT Financial Services totalled $2.2 billion at year end, comprised of $1.8 billion of common shareholders' equity and $363 million of preference share equity. In May 1993, CT Financial Services issued $150 million and US $50 million of non-cumulative first preference shares. Additional funds are available to CT Financial Services and Canada Trustco Mortgage Company (Canada Trustco) through conversion of convertible debentures into preference shares.

The Canadian regulated companies are subject to federal capital guidelines, similar to those applied to Canadian chartered banks, and provincial regulations which prescribe minimum capital requirements. There are two federal measures of capital adequacy. The risk-weighted capital ratio is based on standards developed by the Bank for International Settlements (BIS) as a common international measure of capital adequacy. The standards define acceptable types and levels of core and secondary capital and weight assets by credit risk. Canadian trust and loan companies are required to meet a minimum risk-weighted capital ratio of 8%. Although not a regulated company, CT Financial Services had an estimated risk-weighted capital ratio of 10.38%, based on BIS guidelines for Canadian trust and loan companies. The following table sets out the risk-weighted capital ratios of Canada Trustco:

Millions of dollars	1993		1992	
	Amount	Ratio	Amount	Ratio
Total risk-weighted assets	19,008		20,385	
Capital				
Tier 1 capital	1,378	7.25%	1,382	6.78%
Tier 2 capital	427	2.25%	279	1.37%
	1,805	9.50%	1,661	8.15%

The second federal capital adequacy standard is the multiple of adjusted assets to defined capital. It is limited to 20:1, with full compliance to be achieved by year end 1995. Regulated companies may exceed this limit with prior approval of the Superintendent of Financial Institutions. Canada Trustco's assets to capital multiple was 20.9:1 at December 31, 1993.

Borrowing powers of the Canadian regulated companies are limited by certain provincial statutes which prescribe maximum borrowing multiples, calculated as deposits and other borrowings as a multiple of defined capital. Each jurisdiction has different definitions of borrowings and capital. At December 31, 1993, the Canada Trustco borrowing multiples under Ontario and Québec guidelines were both 21.4 compared with 20.9 and 22.8 respectively in 1992.

Regulatory capital requirements for U.S. savings and loans companies are established and enforced by the Office of Thrift Supervision (OTS). The federal Financial Institutions Reform Recovery and Enforcement Act of 1989 requires the OTS to institute uniform capital standards to satisfy three separate tests: a tangible capital standard, a leverage ratio or core capital standard, and a risk-based capital standard. The OTS is required to ensure that these standards are no less stringent than those required of U.S. national banks. Under these standards, First Federal is considered to be adequately capitalized.

The creditworthiness of the securities and term deposits of CT Financial Services is reviewed regularly by the Canadian Bond Rating Service (CBRS) and the Dominion Bond Rating Service (DBRS). CT Financial Services' ratings at December 31, 1993 were:

	CBRS	DBRS
Short term debt instruments	A-1+	R-1 (middle)
Convertible debentures	A (high)	AA (low)
Senior preference shares	P-1	Pfd-1
Non-cumulative preference shares	P-2	Pfd-1 (low)

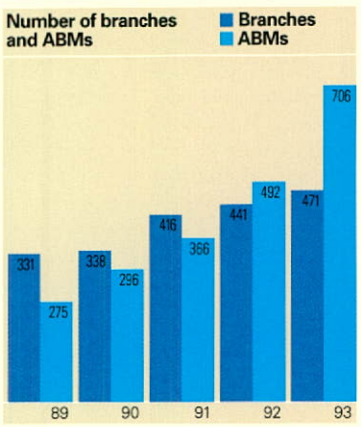
Investment activities of the Canadian regulated companies are subject to both federal and provincial regulation. Federal legislation provides trust and loan companies with full powers to make prudent investments on virtually the same basis as banks. However, a new federal guideline, effective January 1, 1994, restricts the provision of financing for real estate acquisition and development and construction projects. Both federal and provincial statutes limit investments in certain types of property to predetermined percentages of a trust or loan institution's capital or total assets. First Federal is subject to U.S. legislation requiring the maintenance of at least 70% of assets in qualifying investments. At December 31, 1993, First Federal reported a 98% ratio.

Federal reforms of the Canadian financial sector, including updated legislation for banks, trust and loan companies, insurance companies, and cooperative credit associations, came into force in 1992. These reforms dismantled many of the remaining federal barriers between the traditional four pillars in the financial services industry and contain measures to enhance protection of customers and strengthen financial institutions. Boards of directors have increased responsibility for prudent management, including the establishment of prudent investment and lending policies. The legislation restricts transactions with related parties and requires regulated companies to create a conduct review committee of the board of directors which must review and approve such transactions.

The federal legislation requires Imasco to decrease its beneficial ownership position in Canada Trustco's voting shares from approximately 98% to a maximum of 65% by June 1, 1997. While various strategies are under consideration, no immediate action is planned.

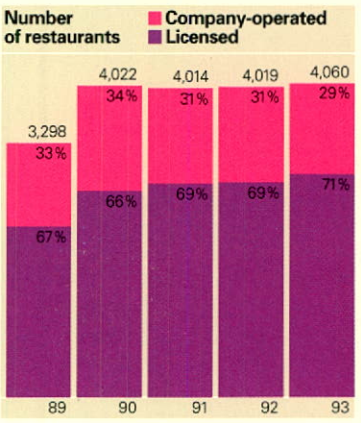
A primary objective of the 1992 Canadian financial reforms, that of a level playing field, has not yet been achieved. The Canadian regulated companies are unable to take full advantage of the new federal reforms because of conflicting provincial laws. In particular, Ontario's "equals approach" imposes Ontario regulations on all aspects of the operations of the Canadian regulated companies, both inside and outside the province. Regulated companies may only exercise those powers which fall within the intersection of these layers of regulation and bear the substantial burden of additional regulatory overhead. During 1993, Ontario made some progress on its review of that province's financial services legislation. Amendments to credit union and insurance legislation were introduced in December, and it is hoped that amendments to the loan and trust legislation will follow in mid-1994.

CT Financial Services' strength remains its ability to attract and serve its retail customers. A primary focus is retail banking and meeting customers' growing needs for a wide range of financial services and asset management and trust services. The intent is to continue expanding the retail branch networks, both in Canada and the United States. Financial intermediary services will continue contributing the largest share of consolidated net earnings in the foreseeable future. Factors influencing intermediary operations will continue to have a greater impact on overall corporate growth and profitability than factors affecting trust operations. Economic recovery will improve growth in all business lines. Combined with cost reductions from re-engineering initiatives, stronger growth will provide the basis for a long term increase in earnings over 1993.



Hardee's Food Systems

During 1993, Hardee's continued to build on the improved results that began in the second half of 1992. System sales increased 4% in 1993 to US $5.0 billion. This increase can be attributed to a renewed focus on customer satisfaction, sales for a full year of the *Frisco Burger* and *Frisco* sandwiches introduced with much success during 1992, the expanded availability of fresh fried chicken, and the net addition of 41 restaurants to the system. Hardee's remains committed to improving the quality of the restaurant system, and 45 company-operated and 60 licensed restaurants with negative or marginal cash flows were closed during 1993. The number of company-operated restaurants has declined steadily since 1990 in keeping with the company's strategy to increase the percentage of licensed restaurants in the system. During 1993, the number of licensed restaurants increased by 78, while the number of company-operated restaurants declined by 37. As at December 31, 1993, the system totalled 2,863 licensed and 1,197 company-operated restaurants compared with 2,785 and 1,234 respectively a year earlier. Average unit sales volume for all restaurants in the system increased to US $1,016,000 in 1993 from US $1,011,000 in 1992 and, on a comparable restaurant basis, average unit sales volume increased 0.6%.



In 1993, the industry was marked by aggressive price discounting by Hardee's major competitors, particularly during the spring and summer months. Hardee's played a limited role in these activities, and only in the latter part of the year did it engage in selective discounting, focusing on lower volume, lower profit products and combination meals. Hardee's chose to protect profit margins, particularly on its signature products, and as a result of this strategy sacrificed traffic to its competitors.

Hardee's revenues are detailed on page 49. Sales by company-operated restaurants declined in 1993 due to a reduction in the number of restaurants and lower sales at existing restaurants. On a comparable restaurant basis, average unit sales volume for company-operated restaurants decreased 1.9%. Excluding the Roy Rogers restaurants, the decrease amounted to 0.6%. Fast Food Merchandisers (FFM), the manufacturing and distribution arm of Hardee's, increased its revenues from both Hardee's licensed restaurants and outside the Hardee's system due to a full year's sales of *Frisco Burgers* and *Frisco* sandwiches, higher sales of dairy, produce, chicken and roast beef, and greater participation by licensed restaurants. In 1993, approximately 77% of Hardee's and Roy Rogers licensees purchased some or all of their requirements for food and paper products from FFM compared with 68% in 1992. The increase is principally due to a higher participation rate by Roy Rogers licensees. In addition, FFM's manufacturing facilities supplied approximately 88% of Hardee's and Roy Rogers requirements for hamburgers in 1993 compared with 86% in 1992. Service and licence fee revenue increased due to higher sales by licensed restaurants and an improvement in the rate of fee recognition.

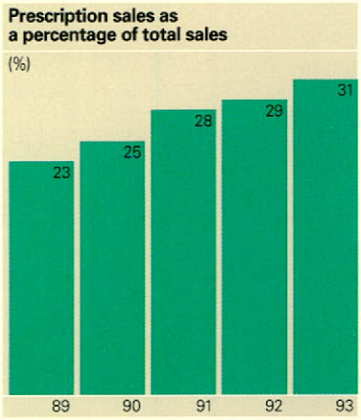
Earnings from operations improved 5% in 1993 to US $67 million with increased contributions reported by both Hardee's restaurant operations and FFM. The improvement in restaurant operations resulted from reduced administrative and corporate expenses, increased service and license fees, and the closing of unprofitable restaurants. FFM's contribution rose because of its improved sales performance.

In January 1994, Hardee's entered into an agreement to sell 84 Roy Rogers restaurants in the Philadelphia market for approximately $29 million (US $22 million). The transaction, which is expected to close during the first quarter of 1994, resulted in a charge of US $18 million to 1993 earnings from operations. Excluding this non-recurring charge, Hardee's earnings from operations increased 34% in 1993. The financial returns from the Philadelphia restaurants have historically been weak relative to other Roy Rogers markets. The sale will enable Hardee's to focus on the Baltimore, Washington, and New York metropolitan markets where the Roy Rogers trademark is stronger. It is estimated that the sale will increase annual after tax earnings by US $4 million beginning in 1994.

Canadian dollar operating results of Hardee's, detailed on page 43, are impacted by fluctuations in exchange rates. During 1993, the Canadian dollar weakened in relation to the US dollar providing a positive effect on Canadian dollar earnings. Exchange rate risk is managed from an overall corporate perspective and is discussed in greater detail on page 31. Hardee's performed well in 1993 despite an environment of slow growth and intense competition. Performance in 1994 will be subject to consumer confidence levels, the extent of price discounting activities by competitors, and the success of Hardee's in executing strategies intended to build customer traffic and lower costs. Health care reform in the United States may have an industry-wide negative effect on labour costs. During 1994, Hardee's will undertake a comprehensive study to clarify its competitive positioning and improve its ability to effectively communicate and deliver that positioning. The emphasis on developing profitable new products to stimulate traffic will continue in 1994. Programs to reduce costs at the administrative and corporate levels have been successful in recent years and will be extended to the restaurant operations level. Hardee's continues to review international opportunities. Overall, further progress is expected in 1994, though Hardee's is not expected to achieve the rates of earnings growth reported during 1992, and during 1993 before the special charge with respect to the sale of Roy Rogers restaurants in the Philadelphia market.

Shoppers Drug Mart/Pharmaprix

System sales increased 3% in 1993 to $3.2 billion despite continued low inflation in most product categories and a significant reduction in tobacco sales, particularly in Central and Eastern Canada. On a comparable store basis, which excludes the impact of store openings and closings, overall sales increased by 1.4% and non-tobacco sales grew 5.3%. The average sale per customer increased by 0.6% and customer counts advanced 0.9% on a comparable store basis. The average sales volume per store was $4.7 million in 1993 compared with $4.6 million in 1992, and the average sales per square foot was $801 compared with $806 in 1992. Both these amounts are impacted by the reduction in tobacco sales. The company added 25 new stores during 1993, including 10 Pinders stores in Saskatchewan and Alberta acquired early in the year. Emphasis has been placed on improving the quality of the existing store base, and 13 unproductive locations were either closed or sold during the year. As at December 31, 1993, the system consisted of 690 stores throughout Canada operating under licenses granted by Shoppers Drug Mart or Pharmaprix. The trend toward higher prescription sales continued in 1993, with such sales representing 31% of total sales compared with 29% in 1992. On a comparable store basis, prescription sales rose 7.3% as a result of price and volume increases. Tobacco sales declined 21% principally due to volume moving to illegal distribution channels. Increased comparable store sales were reported in all other significant product categories.



Revenues, principally in the form of service fees and equipment rentals from associates, increased 5% during 1993. Earnings from operations increased 5% during 1993 due to higher sales, a slight improvement in overall gross margins, and tight control over administrative costs. The gross margin improvement resulted primarily from a favourable change in the mix of sales. Sales of higher margin corporate brand products continued to grow and accounted for approximately 10% of non-prescription sales in 1993 compared with 9% in 1992. Downward pressure on prescription gross margins continued in 1993 as the efforts of governments and employers to control health care costs intensified. Mail order prescription services have added to an already competitive environment. Administrative costs at Shoppers Drug Mart/Pharmaprix during 1993 declined slightly both in total and on a per store basis.

Competition has impacted not only tobacco and prescription sales but other aspects of Shoppers Drug Mart/Pharmaprix's business as well. In traditional drug store categories such as health and beauty aids and paper products, the company competes aggressively with food stores, mass merchandisers, food and drug combination stores, and warehouse clubs.

The company's response to the competitive environment has been to increase its focus on savings, convenience, and customer service. This is reflected in the significant increase in extended-hour stores which now number over 100, including 17 which are open 24 hours. The company has also increased convenience through adding additional services such as retail postal outlets, lottery ticket sales, and automated banking machines. Customer service has been highlighted in recent company advertising, emphasizing the professional services offered by the

pharmacist/associate. The company is also responding through the development of new product categories and the further growth of its corporate brands.

Extended store hours and increased customer service, together with provincial pay equity legislation, have added to associates' wage costs. However, as a percentage of non-tobacco sales, wage costs in 1993 were unchanged from the previous year and continue to be carefully monitored and managed.

In November 1993, the Ontario government announced legislation which, if enacted, would among other things prohibit the sale of tobacco products in Ontario drug stores and other stores having pharmacy departments as early as mid-1995. The Ontario legislation is the subject of parliamentary committee hearings which may or may not result in amendments. To date, in provinces where legislation dealing with tobacco has been introduced, no such prohibition has been included. However, the risk remains that other provinces could adopt legislation similar to Ontario.

Next year is expected to be difficult for the Canadian drug store industry. Recovery from the recession has been modest, and it is anticipated that government and competitive pressures will become more severe in 1994, particularly in the prescription category. The entire Canadian drug store industry is in a period of change. In response to this environment, the company has commenced a strategic planning initiative with the goal of identifying how to increase productivity and lower its costs of operation in order to remain competitive. Acquisition opportunities are likely to materialize as a result of industry pressures and will be pursued, if attractive.

Measures taken in February 1994 by the federal, Québec, New Brunswick, and Ontario governments to combat tobacco smuggling should improve tobacco sales in 1994. Notwithstanding this development, it will be a challenge to overcome the other external factors described above to produce a significant increase in earnings during 1994. The competitive environment will further intensify in 1994 with the entry of Wal-Mart Stores Inc. into the Canadian market. However, as the industry leader with a strong trademark, the company should be better positioned than its competitors to deal with the difficult challenges ahead, and the outlook for 1995 and thereafter is positive.

Genstar Development Company

Genstar Development Company operates in a cyclical business, and, as a result, its operating results fluctuate from year to year and from region to region. Performance in a residential real estate market generally reflects the cycle of the particular region and whether the company has saleable land to match demand. Consumer confidence, employment levels, and general economic conditions have a direct effect on operating results. During 1993, Genstar Development's revenues increased 3% to $98 million, and earnings from operations declined 3% to $33 million. In both cases these results were better than expectations.

Sales increases were reported in the British Columbia, Toronto, and Ottawa regions, while sales in Calgary and Edmonton were above expectations but below 1992 levels. The number of single family lots sold in all regions during 1993 increased to 1,705 from 1,553 in 1992, and 38 acres were sold as parcels and raw land compared with 93 acres in 1992. The decline in earnings from operations is primarily due to a reduction in gross margins arising from a change in the mix of sales.

Genstar Development's conservative management approach has enabled it to operate successfully during difficult economic periods. Genstar Development does not capitalize carrying costs and places significant emphasis on being a low cost producer. Projects are prudently managed in order to control continually rising development costs.

Critical to long term profitability is the replenishment of inventories with suitable land at reasonable prices. In recent years, opportunities in its traditional Canadian markets have been scarce, and key strategic acquisitions have been made primarily through joint ventures in the Minneapolis and San Diego regions. During 1993, Genstar Development acquired 1,090 acres of land directly in the Edmonton and Minneapolis regions and supplemented its inventories in Minneapolis by acquiring a 50% interest in a partnership which has 1,983 acres under option. The company is able to acquire an effective interest in land for a modest capital investment by leveraging its skills as a land developer in a joint venture with land owners. Such opportunities will be pursued where possible. Unless market conditions change, it is anticipated that most land acquisitions in the next few years will be in the United States. Operating results in 1994 are expected to be satisfactory, but below 1993, unless there is significant improvement in consumer confidence levels and other economic conditions which drive short term profits.

The UCS Group

Revenues declined 4% during 1993 reflecting lower tobacco sales and a net reduction of 25 stores. During 1993, 40 stores were closed while 15 new locations were opened. On a comparable store basis, revenues declined 3.3% during 1993 compared with an increase of 0.2% in 1992. The decline is principally attributable to tobacco sales lost to the contraband market. Non-tobacco sales increased 5% during 1993, particularly in airport, hotel, and duty-free locations.

The reduction in revenues had a negative impact on 1993 operating results. The operating loss in 1993 includes store closure costs of $3 million. Results in 1994 will benefit from the closure of these non-performing stores. Factors which had a positive effect on operating results include a favourable change in sales mix, as higher margin products and concepts were emphasized, and cost control initiatives at the store and administrative levels. Although The UCS Group reported operating losses in 1993 and 1992, it made positive cash flow contributions in both years. Cash flow improved in 1993 reflecting the benefits of better inventory management.

Subsequent to year end, Wal-Mart Stores Inc. announced that it would be acquiring approximately 120 stores of Woolco Canada Inc. The UCS Group currently operates shops in 152 Woolco stores under license arrangements with the Woolco chain. The future of these operating arrangements has not yet been determined.

The 1994 outlook for The UCS Group is largely dependent on developments relating to the domestic sale of tobacco products. Measures taken in February 1994 by the federal, Québec, New Brunswick, and Ontario governments to lower tobacco taxes and eliminate the illegal trade in tobacco products should significantly improve sales in these provinces. For the longer term, the company plans to decrease its reliance on tobacco, and a strategic planning initiative has commenced to develop repositioning strategies for each of its businesses.

(Management's Discussion and Analysis continues on page 29)

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Imasco Limited and its subsidiaries, and all information in the annual report, are the responsibility of management, and have been reviewed and approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

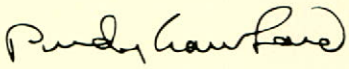
The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Imasco and its subsidiaries have developed, and continue to maintain, systems of internal accounting controls, including written policies and procedures, and segregation of duties and responsibilities.

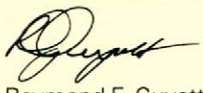
Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for oversight and approval of the financial statements, and other financial information in this annual report, principally through its Audit Committee. The Audit Committee, the majority of which consists of non-executive directors, meets periodically with management, and with the internal and external auditors, to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the financial statements and financial reporting matters. Additional responsibilities of the Audit Committee are detailed under Corporate Governance on page 13.

The financial statements have been audited by Deloitte & Touche, Chartered Accountants, who have full access to the Audit Committee, with and without the presence of management. Their report follows.



Purdy Crawford
Chairman and Chief Executive Officer



Raymond E. Guyatt, C.A.
Executive Vice-President and
Chief Financial Officer

Denis Faucher, C.A.
Vice-President and Controller

February 3, 1994

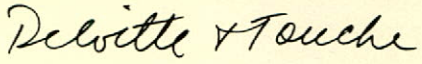
Auditors' Report

To the Shareholders of Imasco Limited

We have audited the consolidated balance sheets of Imasco Limited as at December 31, 1993, 1992, and 1991, and the consolidated statements of earnings, retained earnings, and changes in financial position for the years then ended, appearing on pages 26 through 28, 30, 32 and 34 through 44. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993, 1992, and 1991, and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles.



Chartered Accountants
Montréal, Canada

February 3, 1994

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the policies summarized below.

Basis of presentation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The Corporation indirectly owns approximately 98% of the common shares of CT Financial Services Inc. (CT Financial Services), which indirectly owns approximately 99% of the common shares of First Federal Savings and Loan Association of Rochester (First Federal).

Changes in accounting policies

Effective January 1, 1992, the Corporation adopted, on a retroactive basis, the new recommendations of The Canadian Institute of Chartered Accountants (CICA) with respect to consolidation of subsidiaries. As a result, the Corporation's investments in Imasco Enterprises Inc. and certain subsidiaries with limited activities, which were formerly subsidiaries of Imasco Enterprises Inc. (collectively defined as Imasco Enterprises), previously accounted for by the equity method, were consolidated.

During 1991, the Corporation adopted, on a prospective basis, the new recommendations of the CICA with respect to the accounting for capital assets. As a result, certain intangible assets, previously classified as deferred charges, now meet the definition of capital assets and are reported as such.

The adoption of these two recommendations had no effect on the net earnings, earnings per common share, and shareholders' equity of the Corporation.

Fees–Financial Services

Trust and mutual fund fees are recorded as income when received. All other fees are recorded as income over the term of the loan, or when the service is provided.

Licence and service fee income

Initial licence fees (Restaurant segment) are recognized as income upon the opening of a restaurant. Continuing service fees (Restaurant and Drug Store segments) are recognized as income as a variable percentage of sales of licensed restaurants and associate drug stores.

Sale of development land

Income is recognized in the period in which the transactions occur, provided the collectibility of sales proceeds is reasonably assured and all material conditions are met, including a cash down payment of not less than 15%.

Inventories

Raw materials and supplies are valued at the lower of average cost and replacement cost. Finished goods and development land are valued at the lower of cost and net realizable value. Cost is determined substantially as follows: Tobacco–average cost; Restaurant–first-in, first-out; Land Development–specific item basis (cost of development land includes the original cost of properties, and the cost of services such as roads, and sewage and water systems; carrying costs such as interest and property taxes are not capitalized); Other retail operations–retail inventory method.

Notes receivable, investments, and other

Notes receivable are stated at their estimated net realizable value. Securities are stated at cost and are written down to reflect impairments in value which are other than temporary. Investments in joint ventures and partnerships are accounted for using the equity method. Deferred charges are stated at cost less accumulated amortization, calculated on a straight-line basis.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets range from 20 to 40 years for buildings and from two to 20 years for equipment. The cost of leasehold improvements and property under capital leases is amortized on a straight-line basis over the lesser of the estimated useful lives of the assets and the term of the lease. Acquisition costs relating to favourable leases are amortized on a straight-line basis over the term of the lease.

Goodwill

Goodwill and related costs arising from acquisitions are capitalized and amortized on a straight-line basis over their estimated lives, not exceeding 40 years.

Amortization of goodwill arising from the initial acquisition of CT Financial Services and the Corporation's operating companies, and from significant business acquisitions thereafter, is classified separately in the Consolidated Statements of Earnings as "Amortization of acquisition goodwill". Amortization of goodwill arising from minor business acquisitions by the Corporation's operating companies is reported under the caption "Operating costs".

Investments–Financial Services

Investments, which are reduced by an allowance for investment losses where applicable, and investment income are stated as follows:

Securities

Bonds, debentures, and mortgage-backed securities are stated at amortized cost plus accrued interest. Stocks, other than debt substitutes, are stated at cost plus dividends receivable. Any impairment in underlying value that is other than temporary is recorded as a charge to earnings in the year in which it occurs. Debt substitutes are stated at cost, plus dividends receivable, less provisions established to recognize diminution in market value, and are accorded the accounting treatment applicable to loans.

Loans

Mortgages are stated at cost, including capitalized and accrued interest, less repayments and unamortized mortgage discounts. Mortgage discounts are amortized over the term of the mortgage. Mortgages and mortgage-backed securities held for sale are stated at the lower of cost and market value. Consumer and collateral loans, corporate loans, and credit card receivables are stated at cost, including accrued interest, less repayments. Receivables under equipment leases are carried at gross rentals receivable, net of unearned income. Unearned income is reflected in earnings over the term of the lease. Earned income is accrued and recognized on a daily basis.

Real estate investment properties

Investment properties are stated at the lower of cost, less accumulated amortization, and estimated net recoverable amount. Development and resale properties are stated at the lower of cost, less accumulated amortization, and estimated net realizable value. Cost includes the original cost of properties and carrying costs incurred during development. Leasing costs are deferred and amortized on a straight-line basis over the initial lease term. Administrative expenses are not capitalized. Investments in unincorporated joint ventures are accounted for by the proportionate consolidation method of accounting. Earnings on the sale of investment properties are recognized when title passes to the purchaser. Earnings are recognized on the sale of land when all material conditions of the agreement have been fulfilled, and an appropriate cash down payment has been received. On development projects, operating costs, net of rents received, are capitalized for a period not exceeding 24 months beyond the date of substantial completion, after which net rental income is recognized. Buildings are amortized on a 5% sinking fund basis over periods of 30 and 50 years. Real estate acquired in settlement of loans is stated at a value which does not exceed estimated net realizable value.

Non-performing investments

Included in each investment category are non-performing investments. They consist of securities on which interest or preferred dividend payments have been suspended, loans in arrears, credit card receivables on which interest accrual has been suspended, and restructured and reduced rate loans. In addition, management may, at any time, classify a loan as non-performing if there is evidence of deterioration in the borrower's financial condition. Once loans are classified as non-performing, revenue is recognized only as collected, unless it is virtually certain that accrued interest will be collected.

Allowance for investment losses

The allowance for investment losses consists of two parts, a specific allowance and a general allowance, in accordance with the loan loss provisioning guidelines issued by the Superintendent of Financial Institutions. The two parts are calculated as: 1) a specific allowance for individual investments to reduce carrying value to estimated realizable value and 2) a general allowance based on an historical five-year net loss experience ratio for each of mortgages, consumer and collateral loans, corporate loans, and credit card receivables, and on economic conditions and other factors which, in management's judgment, deserve recognition. Each investment category has been reduced by the applicable portion of the allowance for investment losses. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered remote.

Servicing rights – Financial Services

Capitalized servicing rights on mortgages sold as mortgage-backed securities are amortized over the estimated life of the mortgages. The estimated present value of the interest to be retained on mortgages sold, net of normal servicing fees, is recognized as earnings when the sale occurs. Purchased servicing rights are capitalized and amortized proportionately over the period of estimated servicing income.

Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at the year end rate of exchange, and revenues and expenses are translated at the rate in effect at the time of the transaction. Gains and losses on foreign currency transactions, including gains and losses arising from the translation of the financial statements of integrated foreign subsidiaries, are included in earnings.

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the year end rate of exchange, while revenues and expenses are translated at average rates of exchange for the year. Gains and losses, resulting from the translation of the financial statements of these operations and the debt which is designated as a hedge of these investments, are deferred and included as a separate component of shareholders' equity.

Comparative amounts

Comparative amounts for revenues and operating costs have been restated to conform with the current year's presentation adopted by CT Financial Services with respect to real estate sales operations which were reorganized into franchise operations during 1993. Identifiable expenses and revenues have been netted and are classified as revenues.

Certain other comparative amounts have been reclassified to conform with the current year's presentation.

Imasco Limited
Consolidated Statements of Earnings and Retained Earnings
For the years ended December 31
In millions of dollars, except earnings per common share

	1993	1992	1991
Consolidated Statements of Earnings			
Revenues	**9,681**	**9,908**	**9,820**
Tobacco taxes and duties	1,709	1,967	1,912
Revenues, net of tobacco taxes and duties	**7,972**	**7,941**	**7,908**
Operating costs	4,794	4,484	3,979
Financial services interest expense (Note 16)	2,271	2,571	3,049
Earnings from operations	**907**	**886**	**880**
Amortization of acquisition goodwill	55	55	52
Other costs and administration	46	55	62
Operating earnings–net	806	776	766
Interest expense (Note 17)	171	189	224
Earnings before income taxes and non-controlling interest	635	587	542
Provision for income taxes (Note 18)	192	180	180
Dividends on preference shares of subsidiary companies and non-controlling interest (Note 19)	34	27	30
Net earnings	**409**	**380**	**332**
Net earnings attributed to			
Preference shares	20	27	27
Common shares	389	353	305
	409	**380**	**332**
Earnings per common share (Note 15)	**$3.26**	**$2.97**	**$2.56**

	1993	1992	1991
Consolidated Statements of Retained Earnings			
Beginning of year	1,907	1,723	1,573
Net earnings	409	380	332
Dividends (Note 21)	(197)	(189)	(179)
Capital transactions (Note 20)	(6)	(7)	(3)
End of year	**2,113**	**1,907**	**1,723**

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

(continued from page 24)

Consolidated results of operations

The following comments summarize the consolidated results of Imasco's operating companies, which are discussed individually commencing on page 18.

System sales increased 2% to $16.5 billion in 1993 as detailed below:

	1993	1992	1991
		Millions of dollars	
Imperial Tobacco	2,860	3,050	2,953
CT Financial Services	3,703	3,999	4,320
Hardee's Food Systems	6,397	5,750	5,012
Shoppers Drug Mart	3,181	3,089	2,934
Genstar Development	98	96	67
The UCS Group	288	302	305
Intercompany	(74)	(76)	(84)
	16,453	16,210	15,507

System sales is an unaudited amount used to measure the overall business volumes of the Imasco group of companies. It comprises the consolidated revenues of Imasco as well as the sales of licensed Hardee's restaurants and associated Shoppers Drug Mart stores.

Consolidated gross revenues declined by 2% during 1993. Consolidated net revenues, which exclude significant amounts of tobacco taxes and duties reported as part of Imperial Tobacco's gross revenues, were virtually unchanged from 1992 and are detailed in Note 30 on page 43. Increased net revenues reported by Imperial Tobacco, Hardee's, and Shoppers Drug Mart offset reduced revenues reported by CT Financial Services. The decline in revenues at CT Financial Services is largely due to lower interest rates which negatively affected gross investment income. The decline in interest rates in 1993 also resulted in reduced financial services interest expense. CT Financial Services' net investment income was unchanged from 1992.

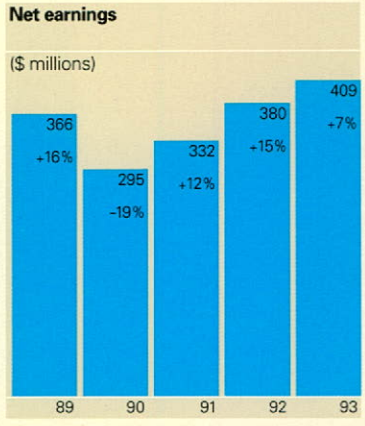
Consolidated earnings from operations increased by 2% during 1993 reflecting improvements reported by Imperial Tobacco, Hardee's, and Shoppers Drug Mart which more than offset declines at CT Financial Services, Genstar Development, and The UCS Group. Earnings from operations by company are listed in Note 30 on page 43.

Other costs and administrative expenses declined in 1993 due to reduced legal costs and higher cash settlements collected on U.S. insurance claims. Cash settlements on insurance claims are expected to be lower in 1994.

Strong cash flows during the year and, to a lesser extent, lower interest rates on floating rate indebtedness resulted in a decline in interest expense in 1993. Imasco began the year with $2.0 billion of long term debt and, despite raising $200 million in new debt in order to redeem $200 million of 7.375% Retractable First Preference Shares Series C on July 17, 1993, ended the year with $1.9 billion of long term debt. This compares with an average level of debt in 1992 of $2.1 billion. Refinancing activities during 1993, discussed on page 31, resulted in the replacement of $163 million of fixed rate debt with debt carrying lower interest rates. The value of the Canadian dollar declined during the last three quarters of the year, and this increased the cost of US dollar denominated borrowings. The weighted average interest rate on floating rate debt during 1993 was 4.6% compared with 5.4% in 1992. Taking into account interest expense on fixed rate debt, the weighted average interest rate on total debt was 8.7% compared with 8.8% in 1992. Interest coverage, the ratio of earnings before interest and taxes to interest expense, was 4.7 in 1993 compared with 4.1 in 1992. It is uncertain whether interest rates in 1994 will continue at the low levels experienced in 1993, and this may negatively impact interest expense. However, this risk is minimized as only 20% of Imasco's long term debt at December 31, 1993 was of a variable rate nature.

The increase in the provision for income taxes during 1993 reflects the increase in pre-tax earnings. Imasco's overall effective income tax rate was 30.3% during 1993 compared with 30.6% in 1992. The principal factors that caused the effective rate to be lower than the combined statutory federal and provincial income tax rate are listed in Note 18 on page 40. Imasco benefits from foreign earnings taxed at favourable corporate tax rates. A substantial portion of this benefit is dependent upon the existence of international tax treaties. During 1993, new international tax conventions were ratified which, effective January 1, 1995, will reduce this benefit. Alternative capital structures are being explored. As part of their action plans to combat tobacco smuggling, the federal and Québec governments imposed, in February 1994, three-year surtaxes on tobacco manufacturing profits. While the details of the surtaxes have yet to be finalized, the federal and Québec governments estimated that their surtaxes will generate revenues over the three-year period of approximately $200 million and $9 million respectively from all Canadian tobacco manufacturers.

Net earnings increased 7% during 1993 and earnings per common share (EPS) increased 10%. The percentage increase in EPS is greater than net earnings due to the reduction in preference share dividends arising from the July redemption of preference shares. Despite higher interest expense, the after-tax benefit to net earnings attributed to common shares arising from this refinancing amounted to approximately $2 million. Due to higher earnings, the return on average common shareholders' equity increased in 1993 to 13.8% from 13.7% in 1992.



Imasco's 1993 earnings reflected a non-recurring charge with respect to an agreement entered into by Hardee's to sell 84 Roy Rogers restaurants in the Philadelphia market (discussed on page 23). The impact of this transaction was to reduce Imasco's 1993 consolidated earnings from operations by $24 million, net earnings by $15 million, and earnings per common share by approximately $0.12.

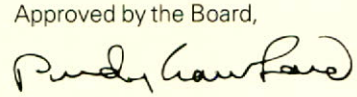
(Management's Discussion and Analysis continues on page 31)

Imasco Limited
Consolidated Balance Sheets
December 31
In millions of dollars

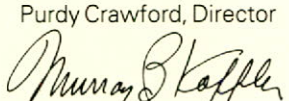
	1993	1992	1991
Assets			
Current assets			
Cash and short term investments	221	111	89
Accounts receivable and other	416	394	386
Inventories	695	736	721
	1,332	**1,241**	**1,196**
Non-current assets			
Notes receivable, investments, and other (Note 1)	196	210	240
Capital assets (Note 2)	1,126	1,132	1,081
Goodwill	243	243	236
	1,565	**1,585**	**1,557**
	2,897	**2,826**	**2,753**
Financial Services			
Investments			
Cash and short term notes	3,153	3,092	2,727
Securities (Note 5)	7,003	6,666	6,979
Loans (Note 4)	34,466	33,061	31,203
Real estate investment properties (Note 8)	967	923	812
Capital assets and other (Note 3)	543	523	467
Goodwill	1,378	1,428	1,479
	47,510	**45,693**	**43,667**
Total assets	**50,407**	**48,519**	**46,420**
Liabilities and shareholders' equity			
Current liabilities			
Bank and other short term loans	92	27	29
Accounts payable and other	663	624	573
Income, excise, and other taxes	149	162	211
	904	**813**	**813**
Long term debt (Note 9)	**1,896**	**1,959**	**2,078**
Deferred credits and other liabilities (Note 14)	**189**	**176**	**171**
Financial Services			
Deposits (Note 10)	40,420	39,181	37,594
Borrowings and other liabilities (Note 11)	3,239	2,875	2,492
Deferred income taxes	73	86	90
Preference shares of subsidiary companies (Note 13)	540	329	331
Non-controlling interest	46	42	38
	44,318	**42,513**	**40,545**
Shareholders' equity			
Capital stock (Note 15)	967	1,163	1,158
Unrealized gain (loss) on foreign currency translation	20	(12)	(68)
Retained earnings	2,113	1,907	1,723
	3,100	**3,058**	**2,813**
Total liabilities and shareholders' equity	**50,407**	**48,519**	**46,420**

The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

Approved by the Board,



Purdy Crawford, Director

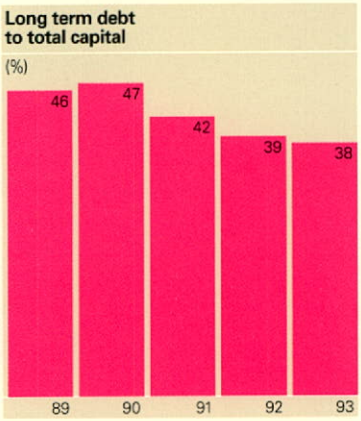


Murray B. Koffler, C.M., Director

(continued from page 29)

Consolidated financial condition

During 1993, Imasco again strengthened its financial position. The major event which affected the company's capital structure during the year was the redemption of $200 million of 7.375% Retractable First Preference Shares Series C on July 17. The redemption was financed by the issue of $150 million 8.375% debentures maturing in 2003 and by the issue of $50 million in commercial paper. These transactions have the principal benefit of reducing Imasco's after-tax cost of capital. Despite the lower shareholders' equity and higher long term debt that resulted from the redemption, consolidated shareholders' equity increased by $42 million during 1993, and long term debt decreased by $63 million. The rise in shareholders' equity is due to the increase in retained earnings, as 1993 net earnings exceeded total dividend payments, and also to the improvement in the unrealized foreign currency translation amount which results from the weaker Canadian dollar. The decrease in long term debt reflects positive cash flows applied towards debt reduction, partially offset by the new debt issued and the higher carrying value of US dollar debt. The ratio of long term debt to total capital was 37.9% at December 31, 1993 compared with 39.0% the previous year. Imasco's long term objective is a 35% ratio, allowing for temporary variations that may result from business acquisitions or corporate restructuring.



Long term debt maturities which were repaid during 1993 consisted of $100 million 10½% notes payable, US $92 million under a note issuance facility, and $63 million of medium term notes. During 1993, a new variable rate credit facility due in 1998 was arranged in the amount of US $125 million, and medium term notes were issued in the amount of $18 million. Also during 1993, $50 million fixed interest rate swaps matured, and US $75 million fixed interest swaps with maturities in 1998 were arranged. At December 31, 1993, the interest on US $250 million of variable rate term loans had been effectively converted to fixed interest rates through interest rate swap contracts. The net effect of the 1993 transactions, combined with the reduction in variable rate short term loans resulting from strong cash flows, was to increase the proportion of fixed interest rate debt at December 31, 1993 to approximately 80% of long term debt from approximately 74% the previous year.

Maturities in 1994 include $62 million of medium term notes and US $25 million remaining under a note issuance facility. Current plans are to refinance these amounts through existing long term credit facilities. After June 30, 1994, $150 million 7.90% Perpetual First Preference Shares Series D are redeemable at Imasco's option. At present, Imasco has no formal plans to redeem these preference shares, however, a final decision will be made based upon prevailing market conditions. The attributes of the preference shares also provide a mechanism for the dividend rate to be reset after June 30, 1994. Based upon current market conditions and assuming no redemption occurs, this would substantially lower the existing dividend rate.

Imasco maintains committed long term credit facilities with major banks which make significant financial resources available and provide the company with the flexibility to meet short and long term borrowing requirements. At December 31, 1993, Imasco had US $1.4 billion available under such credit facilities of which US $470 million was being utilized by direct borrowings. The unused credit facilities are available for additional direct borrowings and to back up issues of commercial paper. The financial strength of Imasco is reflected in its credit ratings. During 1993, the rating of the long term debt of Imasco Limited was confirmed at A(high) by CBRS and at A by DBRS. The rating by DBRS had improved to A from A(low) during 1992.

At December 31, 1993, net cash resources, defined as cash and short term investments less bank and other short term loans, amounted to $129 million compared with $84 million at December 31, 1992. This balance, together with Imasco's significant available credit facilities and cash generating abilities, ensures that short term operating requirements will be met. The net working capital position at December 31, 1993 was $428 million, unchanged from 1992. The ratio of current assets to current liabilities at December 31, 1993 remained at 1.5:1.

In July 1993, the Board of Directors authorized a normal course issuer bid to purchase up to 1,000,000 Imasco Limited common shares, representing approximately 1% of the outstanding common shares. The company's issued share capital is approaching its authorized limit, and the intention is to purchase common shares to cover exercises under its stock option plan. Shares may be purchased at the prevailing market price, and such purchases will terminate no later than August 5, 1994, at which time the program may be renewed. During 1993, Imasco purchased 94,300 common shares for a total cash consideration of $3 million. These purchases had no impact on reported earnings per common share.

Imasco has significant operations in the United States, and exchange fluctuations have an impact on net earnings and net asset values. This exposure is minimized by Imasco's practice of maintaining borrowings in US dollars, which is prudently managed by taking into account the differing costs of borrowing in the two countries. From time to time, Imasco uses derivative financial instruments as supplementary tools to manage foreign exchange risk. Excluding CT Financial Services, no such derivative financial instruments were in use at year end. The average exchange rate during 1993 was approximately US $1 = Cdn $1.29 compared with US $1 = Cdn $1.21 in 1992. Based upon the level of net earnings generated in US dollars in 1993, each movement of one cent in the US/Canadian exchange rate had an impact of $0.8 million on net earnings. As a result, 1993 earnings benefited by approximately $6 million because of the weaker Canadian dollar. The future impact of exchange fluctuations on net earnings depends upon the level of US dollar earnings.

(Management's Discussion and Analysis continues on page 33)

Imasco Limited
Consolidated Statements of Changes in Financial Position
For the years ended December 31
In millions of dollars

	1993	1992	1991
Operating activities			
Net earnings	409	380	332
Items not affecting cash			
Amortization (Note 30)	328	314	291
Provision for investment losses	205	236	115
Other items	4	25	(22)
Earnings adjusted for non-cash items	946	955	716
Changes in non-cash current assets and liabilities (Note 22)	40	(23)	100
Increase in other liabilities	25	11	4
Investment losses and write-offs, net of recoveries	(199)	(98)	(60)
Cash from operating activities	**812**	**845**	**760**
Financing activities			
Issue of long term debt	327	243	203
Repayment of long term debt	(408)	(418)	(506)
Redemption of preference shares	(200)	–	–
Changes in common shares and other capital transactions	2	(2)	–
Dividend payments (Note 21)	(197)	(189)	(179)
Financial Services			
Increase in deposits	1,239	1,587	1,075
Increase (decrease) in borrowings	328	370	(407)
Issue of shares to non-controlling interests, net of share redemptions and issue costs	212	–	–
Cash from financing activities	**1,303**	**1,591**	**186**
Investing activities			
Net additions to capital assets	(149)	(151)	(103)
Changes in notes receivable, investments, and other	6	30	29
Financial Services			
Changes in investments			
Cash and short term notes	(61)	(365)	335
Securities and other investments	(408)	172	420
Loans	(1,392)	(1,978)	(1,360)
Net additions to capital assets	(116)	(116)	(117)
Changes in other assets and liabilities	50	(4)	(5)
Business acquisition (Note 28)	–	–	(189)
Cash used for investing activities	**(2,070)**	**(2,412)**	**(990)**
Cash and cash equivalents			
Increase (decrease) for the year	**45**	**24**	**(44)**
Beginning of year	84	60	104
End of year	**129**	**84**	**60**
Cash and short term investments	221	111	89
Bank and other short term loans	(92)	(27)	(29)
	129	**84**	**60**

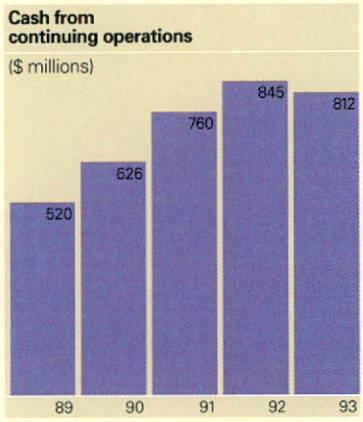
The accompanying accounting policies and notes are an integral part of the consolidated financial statements.

(continued from page 31)

Consolidated cash flows

The accompanying statements of changes in financial position are prepared in accordance with generally accepted accounting principles and include the activities of CT Financial Services on a line-by-line basis. The actual cash contribution from CT Financial Services is the amount of dividends received by Imasco, which was $93 million in both 1993 and 1992. An unaudited summary of cash flow, which excludes the line-by-line activities of CT Financial Services and recognizes the dividend received as a single amount, is presented on page 44. Some readers may find this presentation more meaningful.

Imasco again generated strong cash flows during 1993 and, after refinancing the aforementioned $200 million preference share redemption, applied, on a net basis, $81 million of excess cash towards debt repayment. Also, net cash balances on hand at the end of 1993 were increased by $45 million from the end of 1992. Cash from operating activities declined in 1993 principally due to increased investment losses and write-offs. Non-cash items expensed in net earnings decreased slightly during 1993. Amortization expense and provision for investment losses are significant expenses which do not require an outlay of cash. The increase in amortization expense reflects 1993 capital asset additions and the weaker Canadian dollar. The provision for investment losses recorded by CT Financial Services was lower in 1993 as the exposure to new losses in the commercial real estate portfolio was reduced. The provision for investment losses exceeded actual investment losses and write-offs, net of recoveries, by $6 million in 1993 compared with $138 million in 1992.



Fluctuations in operating working capital balances, as reported in the statements of changes in financial position, are detailed in Note 22 on page 40. Cash generated from reduced inventory levels is mostly timing-related, as end of year sales at Imperial Tobacco were strong. Other 1993 working capital fluctuations primarily arose from normal business activities. The settlement of pension litigation as outlined in Note 29 did not affect corporate cash flows during 1993. The liability arising from the settlement is recorded as a current liability in the consolidated balance sheets, and it is anticipated that payments against this liability will commence in 1994.

Cash from operating activities was sufficient to fund capital expenditures and dividend payments during 1993. Gross additions to capital assets, detailed by operating company on page 43, amounted to $296 million in 1993. Capital spending at CT Financial Services is primarily technology related and for expansion of the retail branch network and alternative delivery systems. Plans call for capital expenditures in these areas to increase again in 1994. Additions to capital assets during 1993 at Imperial Tobacco decreased 21% and were primarily to upgrade and maintain manufacturing and processing facilities. The current level of total expenditures at Imperial Tobacco is expected to continue in 1994 and will include additional investments in technology. Total US dollar capital expenditures in 1993 at Hardee's decreased by 13%, and the allocation of capital between Hardee's restaurant operations and FFM changed. Expenditures on Hardee's restaurant operations were significantly lower as 1992 spending was elevated because of non-recurring items. The nature of 1993 expenditures consisted primarily of restaurant maintenance and remodelling, new restaurant openings and, to a lesser extent, the continuing roll-out of Roy Rogers chicken throughout the Hardee's system. FFM capital expenditures increased during 1993 as investments were made in plant expansion and equipment for new processes. These related primarily to a new roast beef operation and the opening of a fresh produce processing facility and a plant to produce cleaning supplies for the restaurant system. Hardee's ability to generate earnings and cash flow has improved significantly in recent years, and the prospects for future years are favourable. As a result, in 1994, Hardee's plans to increase its level of reinvestment in maintenance capital for existing restaurants. Increased spending on new restaurants and information systems is also planned. FFM capital expenditures in 1994 are expected to be below 1993 levels as investment in new processes will be diminished. Capital expenditures at Shoppers Drug Mart and The UCS Group are principally for store remodellings and openings as well as for information technology. The increase during 1993 at Shoppers Drug Mart reflected the acquisition of 10 Pinders stores early in the year. Assuming no similar acquisition takes place, Shoppers Drug Mart 1994 capital spending is expected to be below 1993 levels. On a consolidated basis, 1994 additions to capital assets are not expected to exceed $380 million and will be funded internally.

Dividend payments by class of share are detailed in Note 21 on page 40. Preference share dividend payments were reduced in 1993 as a result of the July 17, 1993, $200 million preference share redemption. The increase in dividend payments on common shares is due both to an increase in the annual dividend rate and an increase in the number of common shares outstanding. The annual dividend rate per common share was increased to $1.48 in 1993 from $1.36 in 1992. Changes in the number of shares outstanding are detailed in Note 15 on page 39. The 1993 dividend payout ratio, or ratio of dividends per common share to earnings per common share, was 45.4% compared with 45.8% in 1992. On February 3, 1994, Imasco's Board of Directors elected to increase the indicated annual dividend for 1994 to $1.56 per share. Based upon this new rate and the number of common shares outstanding at December 31, 1993, dividend payments on common shares will increase by approximately $10 million during 1994. Dividend payments on preference shares will decrease in 1994 due to the reduction of preference share capital in mid-1993. The extent of the decrease in 1994 preference share dividends will depend upon developments relating to the 7.90% Perpetual First Preference Shares Series D discussed on page 31.

In 1994, Imasco expects internally generated cash flows to be sufficient to fund its cash requirements for operations, capital expenditures, and dividends. Sufficient credit facilities exist to meet other cash requirements, if necessary.

1. Notes receivable, investments, and other

	1993	1992	1991
Notes receivable[1]	60	82	98
Joint ventures and partnerships[2]	44	36	30
Securities	20	30	41
Deferred charges[3]	21	23	27
Other	51	39	44
	196	**210**	**240**

1 Represents notes receivable from restaurant licensees and drug store associates.

2 Equity earnings of joint ventures and partnerships amounted to $1 million during 1993 (1992 and 1991–$2 million).

3 Amortization of deferred charges amounted to $6 million during 1993 (1992–$8 million; 1991–$6 million).

2. Capital assets

	1993	1992	1991
Land	120	120	113
Buildings	359	341	302
Equipment	1,025	959	861
Leasehold improvements	561	532	477
Favourable leases[1]	79	73	69
Property under capital leases	22	28	33
	2,166	2,053	1,855
Accumulated amortization	(1,040)	(921)	(774)
	1,126	**1,132**	**1,081**

Accumulated amortization is summarized below:

	1993	1992	1991
Buildings	120	100	84
Equipment	623	567	485
Leasehold improvements	248	206	164
Favourable leases	37	28	18
Property under capital leases	12	20	23
	1,040	**921**	**774**

Amortization expense is summarized below:[2]

	1993	1992	1991
Buildings	15	15	14
Equipment	101	94	92
Leasehold improvements	44	40	37
Favourable leases	9	9	9
Property under capital leases	1	1	1
	170	**159**	**153**

1 Arises from business acquisitions.

2 The net book value of capital assets, other than land, not being amortized amounted to $12 million at December 31, 1993.

3. Capital assets and other–Financial Services

	1993	1992	1991
Land	78	66	58
Buildings	200	175	161
Equipment	435	384	326
Leasehold improvements	153	137	118
	866	762	663
Accumulated amortization	(397)	(327)	(267)
Capital assets	469	435	396
Capitalized servicing rights	35	35	23
Purchased servicing rights	25	31	34
Other	14	22	14
	543	**523**	**467**

Accumulated amortization is summarized below:

	1993	1992	1991
Buildings	61	53	44
Equipment	252	203	164
Leasehold improvements	84	71	59
	397	**327**	**267**

Amortization expense is summarized below:

	1993	1992	1991
Buildings	10	9	8
Equipment	61	56	49
Leasehold improvements	12	13	11
	83	**78**	**68**

4. Loans–Financial Services

	1993	1992	1991
Mortgages – residential	23,672	22,350	20,615
Mortgages – commercial	3,214	3,553	3,746
Consumer and collateral	5,332	4,425	3,930
Corporate	1,382	1,921	2,061
Credit card receivables	450	373	403
Receivables under equipment leases	416	439	448
	34,466	**33,061**	**31,203**

5. Securities – Financial Services

	1993		1992		1991	
	Stated value	Market value	Stated value	Market value	Stated value	Market value
Bonds and debentures						
Canada	2,495	2,498	2,579	2,571	3,281	3,278
Provincial	663	678	305	305	226	227
Corporate	413	414	336	334	347	345
U.S. federal government and other	282	283	272	273	176	176
	3,853	3,873	3,492	3,483	4,030	4,026
Stocks						
Preference	1,228	1,300	1,511	1,507	1,734	1,730
Common	144	156	137	141	118	122
	1,372	1,456	1,648	1,648	1,852	1,852
Mortgage-backed securities						
Government insured	1,405	1,422	1,199	1,224	934	975
Other insured	373	375	327	330	163	162
	1,778	1,797	1,526	1,554	1,097	1,137
	7,003	**7,126**	**6,666**	**6,685**	**6,979**	**7,015**

6. Non-performing investments – Financial Services

Included in each investment category are the following non-performing investments:

	1993	1992	1991
Loans in arrears			
Mortgages – residential	145	197	223
Mortgages – commercial	130	194	189
Corporate	174	350	38
Other	43	53	14
Securities	35	5	10
Real estate acquired in settlement of loans	107	131	109
	634	930	583
Allowance for investment losses (Note 7)	(350)	(342)	(197)
Net non-performing investments	**284**	**588**	**386**
First Federal net non-performing investments included above	**60**	**131**	**167**

7. Allowance for investment losses – Financial Services

	1993	1992	1991
Beginning of year	342	197	89
First Federal at date of acquisition	–	–	53
Provision charged to earnings	205	236	115
Foreign exchange adjustment	2	7	–
Investment losses and write-offs, net of recoveries	(199)	(98)	(60)
End of year	**350**	**342**	**197**

The apportionment of the allowance for investment losses is summarized below:

	1993	1992	1991
Loans			
Mortgages – residential	64	60	44
Mortgages – commercial	69	75	56
Corporate	100	111	33
Other	35	35	28
Securities	43	30	15
Real estate acquired in settlement of loans	39	31	21
	350	**342**	**197**
Specific allowance	194	211	107
General allowance	156	131	90
	350	**342**	**197**
First Federal included above	**70**	**72**	**54**

8. Real estate investment properties–Financial Services

	1993	1992	1991
Investment properties	862	839	739
Development and resale properties	103	38	27
	965	877	766
Accumulated amortization	(66)	(54)	(42)
	899	823	724
Real estate acquired in settlement of loans, net	68	100	88
	967	**923**	**812**

Amortization of real estate investment properties amounted to $5 million in 1993 (1992–$4 million; 1991–$3 million). Cost of real estate investment properties includes interest capitalized during 1993 of $1 million (1992–$4 million; 1991–$10 million).

9. Long term debt

(Unsecured unless otherwise indicated)	**1993**[7]	1992	1991
Term loans[1,2,3]	701	765	879
Debentures			
11.85% due February 1996	150	150	150
10½% due November 1996	200	200	200
10½% due April 1998	150	150	150
10¾% due June 1999[4]	28	30	32
10¼% due December 2001	150	150	150
9.85% due April 2002	150	150	–
8.375% due June 2003	150	–	–
11¼% repaid 1992	–	–	20
11¾% repaid 1992	–	–	75
	978	830	777
Notes payable and other			
7.7% to 11.9% medium term notes due to 1998[5]	201	246	281
10½% repaid 1993	–	100	100
Capital lease and other obligations[2,6]	16	18	41
	217	364	422
	1,896	**1,959**	**2,078**

1 Term loans consisting of unsecured notes, some of which mature within one year, are supported by committed bank term credit facilities of $1.7 billion (US $1.25 billion) expiring in 2000, $165 million (US $125 million) expiring in 1998, and $33 million (US $25 million) expiring in 1994. Term loans outstanding at December 31, 1993 carried a weighted average interest rate of 4.4% (1992–4.8%; 1991–6.1%).

2 All or partly payable in US dollars. The aggregate principal amount of long term debt payable in US dollars at December 31, 1993 was $700 million (US $529 million), at December 31, 1992 was $702 million (US $552 million), and at December 31, 1991 was $718 million (US $621 million).

3 Interest payments on US $250 million floating rate term loans have effectively been converted through interest rate swap contracts to fixed interest rates of approximately 6.5% for terms ending between 1994 and 1998.

4 Secured by a floating charge on all the assets of Imasco Enterprises Inc.

5 Medium term notes carried a weighted average interest rate of 10.2% at December 31, 1993 (1992–10.5%; 1991–10.6%).

6 Capital lease obligations amounted to $14 million at December 31, 1993 (1992–$15 million; 1991–$16 million) and expire on various dates to 2016. The aggregate minimum commitment under such leases totalled $30 million at December 31, 1993 (1992–$33 million; 1991–$35 million).

7 Long term debt maturities over the next five years are estimated as follows: 1994–$101 million; 1995–$118 million; 1996–$364 million; 1997–$7 million; 1998–$335 million. Maturities in 1994 will be mainly refinanced through existing committed long term credit facilities and have therefore been classified as long term debt.

10. Deposits–Financial Services

	1993	1992	1991
Demand	20,802	20,077	18,478
Term	19,618	19,104	19,116
	40,420	**39,181**	**37,594**

Canada Trustco Mortgage Company (Canada Trustco), a wholly owned subsidiary of CT Financial Services, issued $500 million 99-year term deposit receipts maturing September 20, 2089 with interest payable at 12.75% per annum. Subsequent to issue, interest coupons payable in years 11 through 99 were purchased and cancelled. The present value of these coupons of $213 million (1992–$189 million; 1991–$166 million) is offset against the deposit receipts of $518 million (including accrued interest) included in deposits in the consolidated balance sheets as of December 31, 1993, 1992 and 1991; however, there is no legal right of offset in the event of default.

11. Borrowings and other liabilities–Financial Services[1]

	1993[10]	1992	1991
Advances from Federal Home Loan Bank 2.67% to 8.96% due to 2007[2]	1,869	1,719	1,424
Notes, mortgages, debentures, and other borrowings			
11.2% notes due to 2009[3]	28	28	28
10.25% guaranteed notes repaid 1993	–	105	105
5% to 12.75% mortgages due to 2012[4]	250	253	255
8.125% $150 million Series 1, subordinated capital debentures due 2003[5]	154	–	–
Prime rate $75 million Series A, convertible redeemable debentures due 2009[6]	77	78	78
Variable rate $200 million money market convertible redeemable debentures due 2010[7]	201	201	200
5.5% to 6% securities sold under agreements to repurchase within one year[8]	397	299	284
Other advances[9]	197	162	101
	1,304	1,126	1,051
Borrowings	**3,173**	**2,845**	**2,475**
Other liabilities	66	30	17
	3,239	**2,875**	**2,492**

1 Amounts reported include accrued interest.

2 Secured by pledges of qualifying collateral, primarily mortgages. The market value of the pledged qualifying collateral is at least 110% of the amount of the advances.

3 Secured by assets with an estimated value of $28 million.

4 Primarily first and second real estate mortgages secured by assets with an estimated value of $269 million at December 31, 1993 (1992 and 1991–$274 million). Also includes collateralized mortgage obligations secured by pledges of Federal Home Loan Mortgage Corporation mortgage-backed certificates with a carrying value of $18 million (1992–$21 million; 1991–$22 million).

5 Redeemable by Canada Trustco on or after March 3, 1998, with the consent of the Superintendent of Financial Institutions. After March 3, 1998, the debentures bear interest at the banker's acceptance rate plus 1%.

6 Convertible at any time into preference shares of Canada Trustco at either the holder's or issuer's option and redeemable at the issuer's option. The issuer's conversion and redemption privileges require the consent of the Superintendent of Financial Institutions.

7 Convertible at the issuer's option, in whole, into preference shares of CT Financial Services. They are also convertible into preference shares of CT Financial Services, at the holder's option, in whole, at any time after May 17, 2009.

8 Collateralized by mortgage-backed securities and U.S. treasury bills with a market value of $401 million (1992–$302 million; 1991–$300 million).

9 Represents advances from borrowers for taxes and insurance.

10 The required principal repayments for each of the next five years are as follows: 1994–$1,563 million; 1995–$492 million; 1996–$233 million; 1997–$140 million; 1998–$175 million.

12. Derivative financial instruments–Financial Services

CT Financial Services and First Federal enter into interest rate options, foreign exchange contracts, and swap contracts as principals to reduce exposure to fluctuations in foreign currency and interest rates that may affect their borrowing costs. Derivative financial instruments give rise to credit risk measured by the cost, at current market rates, of replacing the swap should counterparties default on their contractual obligations.

Credit risk is controlled through selection of appropriate counterparties (68% of the value of outstanding contracts is with Canadian schedule I banks) and by setting exposure limits to any one entity. Management monitors credit risk regularly and does not anticipate that any material losses will result from these contracts. These contracts are not reflected in the consolidated balance sheets. The companies do not enter into contracts as intermediaries to earn fee income.

The notional principal amount of outstanding derivative financial instruments is summarized below:

	1993	1992	1991
Swaps (interest rate, currency, swap options)	5,570	3,294	1,848
Interest rate options (caps, floors)	3,717	331	447
Foreign exchange contracts	326	2	–
	9,613	**3,627**	**2,295**

13. Preference shares of subsidiary companies–Financial Services

Issued and outstanding preference shares of subsidiary companies, all owned by third parties, are as follows:

	1993	1992	1991
CT Financial Services			
200 Cumulative redeemable perpetual first preference shares–series 1[1]	100	100	100
2,000,000 Non-cumulative redeemable perpetual first preference shares–series 2[2]	50	50	50
6,000,000 Non-cumulative redeemable first preference shares–series 4[3]	150	–	–
2,000,000 Non-cumulative redeemable first preference shares–series 5[4]	63	–	–
Canada Trustco			
5,549,440 Cumulative redeemable preference shares (1992–5,625,042; 1991–5,747,942)	127	129	131
Truscan Realty Limited[5]			
2,000,000 Cumulative redeemable preference shares[6]	50	50	50
	540	**329**	**331**

1 The dividend rate is 7.74% to March 15, 1994 and thereafter is determined by negotiation or auction procedures. Redeemable on, or after, March 15, 1994 at $500,000 per share plus accrued and unpaid dividends.

2 The dividend rate is 8.50% to March 28, 1995 and thereafter will be set at 70% of prime and adjusted based upon the trading price of the shares. Redeemable on March 31, 1995 at $25.00 per share and on, or after, April 1, 1995 at $25.125 per share for either cash or common shares of CT Financial Services at 95% of the market price of the common shares.

3 The dividend rate is 7.35%. Redeemable on, or after, February 1, 2003 at $25.00 per share plus accrued and unpaid dividends. Convertible on, or after, August 1, 2003 at the option of the issuer into that number of common shares of CT Financial Services determined by dividing $25.00 by the greater of $2.00 and 95% of the weighted average trading price of the common shares of CT Financial Services for a defined period immediately prior to the date of conversion. CT Financial Services has the right to redeem or find a substitute purchaser for the tendered shares.

4 The dividend rate is 6.40%. Redeemable on, or after, February 1, 2003 at US $25.00 per share plus accrued and unpaid dividends. Convertible on, or after, August 1, 2003 at the option of the issuer into that number of common shares of CT Financial Services determined by dividing US $25.00 by the greater of US $2.00 and the US dollar equivalent of 95% of the weighted average trading price of the common shares of CT Financial Services for a defined period immediately prior to the date of conversion. CT Financial Services has the right to redeem or find a substitute purchaser for the tendered shares.

5 Truscan Realty Limited (Truscan) is an indirectly wholly owned subsidiary of CT Financial Services.

6 CT Financial Services has entered into a purchase agreement whereby, in the event Truscan fails to make any dividend payment, or redemption or retraction payment, it will purchase any outstanding series 1 preference shares of Truscan at $25.00 per share plus accrued and unpaid dividends.

14. Deferred credits and other liabilities

	1993	1992	1991
Deferred gain[1]	73	76	75
Deferred income taxes	9	21	29
Other liabilities	107	79	67
	189	**176**	**171**

1 During 1988, two sale and leaseback transactions were completed in the Restaurant segment which generated net cash proceeds of approximately $321 million. The gains resulting from these transactions have been deferred. The leases under both transactions are accounted for as operating leases.

The first transaction generated net cash proceeds of approximately $235 million. The land and buildings of 279 restaurant properties were sold to a joint venture, formed by a subsidiary of the Corporation and an unrelated third party, and were subsequently leased back. The joint venture was capitalized by equity injections of approximately $18 million by each of the joint venturers and approximately $217 million (US $171 million) of long term debt secured by the restaurant properties. As at December 31, 1993, $192 million (US $145 million) of this debt remained outstanding (1992–US $151 million; 1991–US $156 million). The Corporation, through its subsidiary, maintains a 50% interest in the joint venture and accounts for its investment by the equity method. The deferred gain arising from this transaction totalled $61 million at December 31, 1993 (1992–$63 million; 1991–$62 million) and is being amortized on the basis of 50% over the 15-year life of the lease and 50% over 25 years. The latter period approximates the estimated remaining lives of the assets sold to the joint venture.

A second transaction was completed pursuant to which the land and buildings of 101 restaurant properties were sold to an unrelated third party for net cash proceeds of approximately $86 million and were leased back for an initial minimum period of 15 years. The deferred gain, which amounted to $12 million at December 31, 1993 (1992 and 1991–$13 million), is being amortized over the term of the lease.

15. Capital Stock

Authorized:

1,650,000 6% Cumulative Preference Shares;
An unlimited number of First and Second Preference Shares, issuable in series;
120,500,000 common shares.

Issued and outstanding:

	1993	1992	1991
1,191,888 6% Cumulative Preference Shares	6	6	6
300 7.90% Perpetual First Preference Shares Series D[1]	150	150	150
8,000,000 7.375% Retractable First Preference Shares Series C[2]	–	200	200
119,186,603 common shares (1992–119,099,363; 1991–119,114,183)[3]	811	807	802
	967	**1,163**	**1,158**

Changes in issued and outstanding common shares were as follows:

	Shares	Amount
December 31, 1990	119,113,133	800
Issued at $18.50 to $30.625 on the exercise of stock options	113,650	3
Shares repurchased[4]	(112,600)	(1)
December 31, 1991	119,114,183	802
Issued at $26.00 to $36.00 on the exercise of stock options	244,580	7
Shares repurchased[4]	(259,400)	(2)
December 31, 1992	119,099,363	807
Issued at $27.50 to $39.63 on the exercise of stock options	181,540	5
Shares repurchased[4]	(94,300)	(1)
December 31, 1993	119,186,603	811

1 The dividend rate is set at 7.90% until June 30, 1994 and thereafter can be reset through negotiation or auction procedures. The shares are redeemable at the Corporation's option at $500,000 per share plus accrued and unpaid dividends on, or any time after, June 30, 1994.

2 Redeemed on July 17, 1993 at their stated value of $25.00 each, plus accrued and unpaid dividends.

3 The weighted average number of outstanding common shares used in the determination of earnings per common share for 1993 was 119,151,946 (1992–119,122,033; 1991–119,111,416).

4 Represents the number and total average stated value of shares repurchased under normal course issuer bids authorized by the Corporation's Board of Directors. Under the current program, in effect from August 6, 1993 to August 5, 1994, the Corporation is authorized to repurchase up to 1,000,000 of its common shares at the prevailing market price. Repurchased shares are restored to the status of authorized but unissued shares.

Under the Corporation's Stock Option Plan, options to purchase common shares of the Corporation may be granted to certain employees. Each option enables the holder to purchase one common share of the Corporation at an option price equal to the closing price per common share for a board lot sold on The Toronto Stock Exchange on the last trading day prior to the date of the grant, less such discount, if any, not exceeding 10%, which may be set at the time of the grant. The options expire not later than 10 years after the date of the grant and are generally first exercisable two years following the date of the grant.

Details of the stock options outstanding were as follows:

	1993	1992	1991
Outstanding, beginning of year	1,481,070	1,429,110	1,297,640
Granted	416,675	326,630	394,750
Exercised	(181,540)	(244,580)	(113,650)
Cancelled	(21,250)	(30,090)	(149,630)
Outstanding, end of year	1,694,955	1,481,070	1,429,110
Weighted average exercise price of stock options outstanding, end of year	$34.60	$32.65	$30.84

16. Financial services interest expense

	1993	1992	1991
Demand deposits	553	709	1,007
Term deposits	1,493	1,700	1,912
Advances from Federal Home Loan Bank	79	79	66
Notes, mortgages, and debentures	54	51	56
Other borrowings	12	11	12
Net expense (income) on derivative financial instruments	80	21	(4)
	2,271	**2,571**	**3,049**

17. Interest expense

	1993	1992	1991
Interest on long term debt	175	183	221
Interest on capital leases	2	2	3
Other interest, net	(6)	4	–
	171	**189**	**224**

18. Income taxes

The effective income tax rate varies from year to year due to factors such as changes in statutory income tax rates, the imposition of temporary surtaxes, variations in special tax incentives made available under tax legislation and differences in the extent to which they may be claimed, and differences in the geographic and industrial mix of earnings.

The principal factors causing the difference between the effective income tax rate and the combined federal and provincial tax rate in Canada are as follows:

	1993	1992	1991
Combined federal and provincial income tax rate	41.9%	41.6%	41.8%
Tax exempt investment income	(4.9)	(8.9)	(11.0)
Non-deductible goodwill amortization	3.1	3.1	3.3
Foreign income taxed at lower rates	(6.6)	(7.4)	(5.7)
Manufacturing and processing allowances	(2.7)	(2.1)	(1.4)
Other items	(0.5)	4.3	6.3
Effective income tax rate	**30.3%**	**30.6%**	**33.3%**

The components of the provision for income taxes are as follows:

	1993	1992	1991
Current	211	166	168
Deferred	(19)	14	12
	192	**180**	**180**

19. Dividends on preference shares of subsidiary companies and non-controlling interest

	1993	1992	1991
Dividends on preference shares of CT Financial Services and its subsidiaries	31	23	26
Non-controlling interest in CT Financial Services' net earnings	3	4	4
	34	**27**	**30**

20. Capital transactions

	1993	1992	1991
Cost of common shares repurchased in excess of stated value	3	7	3
Cost of issuing securities by a subsidiary, net of tax	3	–	–
	6	**7**	**3**

21. Dividends

	1993	1992	1991
6% Cumulative Preference Shares[1]	–	–	–
7.375% Retractable First Preference Shares Series C[2]	8	15	15
7.90% Perpetual First Preference Shares Series D[1]	12	12	12
Common shares[3]	177	162	152
	197	**189**	**179**

1 The attributes of the 6% Cumulative Preference Shares and Series D Preference Shares of the Corporation provide that no dividends may be declared, paid, or set apart for payment on the common shares unless all dividends payable on such preference shares have been declared and paid, or set apart for payment. The dividend paid on the 6% Cumulative Preference Shares amounted to $348 thousand for 1993 (1992 and 1991 – $348 thousand).

2 Redeemed on July 17, 1993.

3 The Board of Directors of the Corporation has no fixed policy with respect to the payment of dividends on the Corporation's common shares. However, the Corporation has declared and paid dividends on its common shares every year since its inception.

22. Changes in non-cash current assets and liabilities

Changes in non-cash current assets and liabilities relating to operations were as follows:

	1993	1992	1991
(Increase) decrease in current assets			
Accounts receivable and other	4	23	30
Inventories	44	(11)	(12)
Increase (decrease) in current liabilities			
Accounts payable and other	5	15	(2)
Income, excise, and other taxes	(13)	(50)	84
	40	**(23)**	**100**

23. Retirement benefits

Pension benefits are available to substantially all full time employees under the Corporation's registered defined benefit plans. The registered pension plans are funded through contributions based on actuarial cost methods as permitted by pension regulatory bodies. The Corporation also makes supplementary retirement benefits available to certain employees under unregistered plans. These supplementary retirement benefits represent unfunded obligations which, under the Canadian plan, are secured by an irrevocable letter of credit. Employees of CT Financial Services and First Federal are covered by separate pension plans as described in Note 24.

Earnings are charged with the cost of benefits earned by employees as services are rendered. Benefits under these plans are based on the employee's years of service and final average pay. The projected benefit obligations were determined using assumed discount rates ranging from 7¾% to 8% (1992–8%; 1991–8% to 8½%) and assumed increases in compensation rates ranging from 4¾% to 6% (1992–5% to 6%; 1991–6% to 6½%). The assumed rates of return on assets ranged from 7¾% to 8% (1992–8%; 1991–8% to 8½%).

The Corporation has immunized itself against the impact of future changes in interest rates on the assets and the projected benefit obligation related to Canadian retirees which amounts to approximately $200 million. The assumed discount rate used to project this obligation and the assumed rate of return on the related assets were both 8.9%.

The status of the Corporation's pension plans was as follows:

	1993	1992	1991
Plan assets at market related value	577	575	526
Projected benefit obligations	598	537	473
Plan assets (less than) in excess of projected benefit obligations	**(21)**	**38**	**53**
Projected benefit obligation for supplementary retirement benefits[1]	**69**	**61**	**52**
Pension expense[2]	**31**	**24**	**19**

1 Benefits under the Canadian plan are secured by an irrevocable letter of credit in the amount of $48 million.

2 Includes the cost of both registered and supplementary benefits.

The Corporation provides limited health benefits for eligible employees upon retirement. During 1993, these costs were approximately $3 million (1992–$2 million; 1991–$1 million). In Canadian operations, the cost of these benefits is expensed as incurred, while in U.S. operations, cost is determined on an accrual basis in accordance with U.S. reporting requirements.

24. Retirement benefits–Financial Services

Pension benefits are available to all Canadian employees of CT Financial Services under the company's contributory pension plan. The plan consists of a defined benefit section and a money purchase section. Earnings are charged with the cost of benefits earned by employees as services are rendered for both sections of the plan.

The pension plan for Canadian employees has been valued based upon the following assumptions: 8½% average annual investment return and 6½% average annual increase in compensation rates.

The status of CT Financial Services' pension plan was as follows:

	1993	1992	1991
Plan assets at market value	332	273	258
Projected benefit obligations			
Defined benefit section	210	201	186
Money purchase section	115	87	70
	325	288	256
Plan assets in excess of (less than) projected benefit obligations	**7**	**(15)**	**2**
Pension expense	**11**	**10**	**7**

Employees of First Federal are covered by separate non-contributory pension plans, which offer comparable benefits and are funded by First Federal. The plans were fully funded at December 31, 1993.

CT Financial Services provides certain health care benefits for eligible Canadian employees upon retirement. The cost of these benefits is expensed as incurred. During 1993, these costs were approximately $1 million (1992 and 1991–$1 million).

First Federal provides certain health care benefits for eligible employees upon retirement and accounts for the cost of these benefits in accordance with U.S. reporting requirements. The amount expensed during 1993 with respect to these benefits amounted to $1 million (1992–$1 million; eight months 1991–nil).

25. Operating lease commitments

The Corporation has commitments with respect to real estate operating leases, most of which are for terms of one to 27 years.

The minimum annual commitments under such leases and the amounts assumed by drug store associates and other third parties are approximately as detailed in the accompanying table.

	Rental commitment	Assumed by third parties	Net rental commitment
1994	251	103	148
1995	235	95	140
1996	214	85	129
1997	192	74	118
1998	167	64	103

The minimum annual rental commitments as listed above do not reflect escalation and percentage-of-sales clauses contained in some leases. Net rentals under leases, including escalation and percentage-of-sales payments, amounted to $175 million for the year ended December 31, 1993 (1992–$172 million; 1991–$158 million). The Corporation also has operating lease commitments for equipment which are for terms of one to 10 years, with a minimum annual rental of approximately $25 million.

26. Related party transactions

B.A.T Industries p.l.c., through the ownership of 40.4% of the Corporation's common shares, is defined as a related party. Transactions with B.A.T Industries p.l.c. and its subsidiaries were as follows:

	1993	1992	1991
Fees[1]	1	1	1
Export sales of leaf tobacco	19	19	14
Purchase of materials	–	3	2
Royalties	1	1	1

1 Represents payment of fees for research and development, marketing, and manufacturing services.

27. Subsequent event

In January 1994, Imasco, through its indirectly wholly owned subsidiary, Hardee's Food Systems, entered into an agreement to sell 84 Roy Rogers restaurants in the Philadelphia market for approximately $29 million (US $22 million). The transaction, which is expected to close during the first quarter of 1994, resulted in a one-time charge against 1993 net earnings of $15 million (net of tax recovery of $9 million).

28. Business acquisition–Financial Services

On May 8, 1991, CT Financial Services, through a wholly owned subsidiary, acquired a 99% ownership interest in First Federal. The total cost of the investment amounted to $218 million (US $188 million) and consisted of a capital injection and debt subscription. No goodwill resulted from the purchase.

Details of the acquisition, which was accounted for by the purchase method of accounting, are provided in the accompanying table.

	1991
Assets at assigned values	
Cash and short term notes	304
Securities	1,730
Loans	4,367
Other assets	94
	6,495
Liabilities at assigned values	
Deposits	4,044
Advances and other borrowings	2,223
Deferred income taxes	8
Non-controlling interest	2
	6,277
Total cost of investment	**218**
Capital injection	189
Debt subscription	29
	218

29. Prior period adjustment

On January 18, 1993, Imasco Enterprises Inc., as successor to Genstar Corporation, entered into a settlement agreement relating to lawsuits instituted in the Supreme Court of British Columbia that sought various forms of relief relating to Genstar's withdrawal, prior to the Corporation's acquisition of Genstar in 1986, of surplus funds from Genstar sponsored pension plans. The net cost of the settlement and other associated claims amounted to $42 million (net of tax recovery of $13 million) and was recorded as a prior period adjustment in 1992.

30. Segmented financial information

Financial information is presented according to the following industry segments:

Tobacco – Imperial Tobacco: manufactures tobacco products.

Financial Services – CT Financial Services: provides financial intermediary and asset management services, and engages in real estate investment activities. A subsidiary, First Federal, provides financial intermediary and asset management services in the northeast United States.

Restaurant – Hardee's Food Systems: operates and licenses a system of quick service restaurants primarily in the United States. A wholly owned subsidiary, Fast Food Merchandisers, processes food and distributes food and paper products, primarily in the United States.

Drug Store – Shoppers Drug Mart: licenses retail operations which specialize in prescription drugs, health and beauty aids, and a broad mix of consumer products.

Land Development – Genstar Development Company: conducts wholly owned and joint venture land development activities in Canada and the United States.

Other retail operations – The UCS Group: operates retail stores which specialize in tobacco products, confectionery, reading materials and gifts, and operates tax and duty free outlets.

Other – Corporate and other activities.

Operations outside Canada include those of the Restaurant segment, First Federal, U.S. land development, and certain other activities.

	1993	1992	1991
Net revenues			
Tobacco	1,151	1,083	1,041
Financial Services	3,703	3,999	4,320
Restaurant	2,625	2,365	2,097
Drug Store	181	172	162
Land Development	98	96	67
Other retail operations	288	302	305
Intersegmental[1]	(74)	(76)	(84)
	7,972	**7,941**	**7,908**
Canada	4,649	5,057	5,454
United States	3,323	2,884	2,454
	7,972	**7,941**	**7,908**
Earnings from operations			
Tobacco	462	432	397
Financial Services	232	252	320
Restaurant	86	77	46
Drug Store	100	95	89
Land Development	33	34	30
Other retail operations	(6)	(4)	(2)
	907	**886**	**880**
Canada	757	751	800
United States	150	135	80
	907	**886**	**880**

	1993	1992	1991
Additions to capital assets			
Tobacco	28	36	22
Financial Services	131	126	123
Restaurant	83	90	61
Drug Store	50	41	31
Land Development	–	1	4
Other retail operations	4	2	5
	296	**296**	**246**
Amortization expense[2]			
Tobacco	20	21	19
Financial Services	88	82	71
Restaurant	117	109	107
Drug Store	36	33	29
Land Development	2	3	2
Other retail operations	4	5	5
Other	6	6	6
	273	259	239
Acquisition goodwill	55	55	52
	328	**314**	**291**
Inventories			
Tobacco	353	398	392
Restaurant	79	74	64
Land Development	230	220	218
Other retail operations	33	44	47
	695	**736**	**721**
Capital assets			
Tobacco	147	140	123
Restaurant	788	809	783
Drug Store	158	141	130
Land Development	5	6	5
Other retail operations	18	19	22
Other	10	17	18
	1,126	**1,132**	**1,081**
Financial Services	469	435	396
	1,595	**1,567**	**1,477**
Total assets			
Tobacco	638	650	615
Financial Services	46,132	44,265	42,188
Restaurant	1,116	1,078	1,046
Drug Store	257	243	205
Land Development	317	293	271
Other retail operations	59	75	76
Other	267	244	304
	48,786	46,848	44,705
Goodwill	1,621	1,671	1,715
	50,407	**48,519**	**46,420**
Canada	40,354	39,601	38,427
United States	10,053	8,918	7,993
	50,407	**48,519**	**46,420**

1 Intersegmental revenues consist of purchases of Imperial Tobacco products by The UCS Group at normal wholesale prices.

2 Includes amortization expense on capital assets, goodwill, deferred charges, and other fair value allocations.

31. Other information

a. Goodwill amortization charged to earnings during 1993 amounted to $60 million (1992–$60 million; 1991–$57 million) and included $5 million (1992 and 1991–$5 million) classified as operating costs.

b. A wholly owned subsidiary of the Corporation has provided guarantees to various banks in respect of certain borrowings by drug store associates. The total amount of these guarantees at December 31, 1993 was $129 million (1992–$112 million; 1991–$99 million).

c. During 1990, a wholly owned subsidiary of the Corporation entered into an agreement giving it the right, on an ongoing basis, to sell qualifying accounts receivable in the Tobacco segment. As at December 31, 1993, the subsidiary had sold, with limited recourse, accounts receivable for cash proceeds of $75 million (1992 and 1991–$100 million).

d. Research and development costs charged to earnings during the year amounted to $5 million (1992 and 1991–$5 million).

e. For balance sheet purposes, amounts denominated in US dollars have been translated into Canadian dollars at the rate of exchange in effect at year end as follows: December 31, 1993–US $1 = Cdn $1.324; December 31, 1992–US $1 = Cdn $1.271; December 31, 1991–US $1 = Cdn $1.156.

f. To encourage long term share ownership, Imasco offers low interest loans to certain key executives. Eligible executives may receive five-year loans to purchase Imasco common shares in the open market or through the exercise of stock options. The total amount of loans that may be outstanding at any time to an executive cannot exceed his or her annual salary. These loans are secured by the shares purchased with such loans, according to a formula, and the interest is equal to the dividends received on the pledged shares, net of the income tax payable on the dividends. The carrying amount of outstanding share purchase loans at December 31, 1993 was $1 million (1992 and 1991–$1 million) and is classified as a long term note receivable.

g. The Corporation and its subsidiaries are parties to claims and suits brought against them in the ordinary course of business.

In addition, certain subsidiaries acquired as part of the acquisition of Genstar Corporation are subject to numerous claims and suits, most of which are asbestos related. Certain of these claims and suits allege significant damage. In the opinion of management, all such claims and suits are adequately covered by insurance or are provided for in the financial statements or, if not so covered or provided for, the results are not expected to materially affect the Corporation's financial position. Substantially all of the costs incurred in connection with the defense of asbestos related claims and suits have been covered by insurance proceeds. Furthermore, a lawsuit has been instituted by its subsidiaries seeking to establish insurance coverage from certain carriers who have denied such coverage. Costs associated with the prosecution of the coverage lawsuit are expensed, and a portion of such costs may be recovered should the suit succeed.

Supplementary Information
Non-consolidated Summary of Cash Flows (unaudited)
For the years ended December 31
In millions of dollars

	1993	1992	1991
Net earnings	409	380	332
Deduct: CT Financial Services net earnings to common	(145)	(181)	(210)
Add: CT Financial Services dividend	93	93	93
Amortization	240	232	220
Other non-cash items	2	(1)	(27)
Earnings adjusted for non-cash items and CT Financial Services dividend	**599**	**523**	**408**
Changes in non-cash current assets and liabilities	40	(23)	100
Increase in other liabilities	25	11	4
Net additions to capital assets	(149)	(151)	(103)
Other investing activities	6	30	29
Dividend payments	(197)	(189)	(179)
Changes in common shares and other capital transactions	2	(2)	–
Net cash generated	**326**	**199**	**259**
Redemption of preference shares	200	–	–
Repayment of long term debt–net	81	175	303
Increase (decrease) in net cash balances	45	24	(44)
Net cash utilization	**326**	**199**	**259**

Imasco Limited
Quarterly Consolidated Financial Information (unaudited)
In millions of dollars, except per common share data

1993	March	June	September	December	**Total**
System sales[1]	3,833	4,158	4,230	4,232	16,453
Revenues[1]	2,302	2,467	2,474	2,438	9,681
Earnings from operations					
Imperial Tobacco	99	99	127	137	462
CT Financial Services	59	48	57	68	232
Hardee's Food Systems	2	41	42	1	86
Shoppers Drug Mart	19	22	25	34	100
Genstar Development Company	10	3	9	11	33
The UCS Group	(2)	(3)	–	(1)	(6)
	187	210	260	250	907
Amortization of acquisition goodwill	13	14	14	14	55
Other costs and administration	15	7	12	12	46
Interest expense	44	44	43	40	171
Provision for income taxes	42	43	58	49	192
Dividends on preference shares of subsidiary companies and non-controlling interest	7	7	10	10	34
Net earnings	66	95	123	125	409
Per common share					
Net earnings	$0.50	$0.74	$1.00	$1.02	$3.26
Dividends	$0.37	$0.37	$0.37	$0.37	$1.48
Market price – High	41⅝	39⅞	37⅜	40⅞	
– Low	37⅛	34¼	35	36¾	

1992	March	June	September	December	**Total**
System sales[1]	3,763	4,098	4,156	4,193	16,210
Revenues[1]	2,376	2,531	2,531	2,470	9,908
Earnings from operations					
Imperial Tobacco	93	95	119	125	432
CT Financial Services	84	86	58	24	252
Hardee's Food Systems	(12)	29	33	27	77
Shoppers Drug Mart	19	21	23	32	95
Genstar Development Company	10	5	6	13	34
The UCS Group	(4)	(2)	–	2	(4)
	190	234	239	223	886
Amortization of acquisition goodwill	13	14	14	14	55
Other costs and administration	17	17	11	10	55
Interest expense	53	49	44	43	189
Provision for income taxes	36	53	52	39	180
Dividends on preference shares of subsidiary companies and non-controlling interest	7	7	7	6	27
Net earnings	64	94	111	111	380
Per common share					
Net earnings	$0.48	$0.73	$0.88	$0.88	$2.97
Dividends	$0.34	$0.34	$0.34	$0.34	$1.36
Market price – High	38¾	37¾	38	41⅜	
– Low	34¼	31½	34⅞	36½	

1 Amounts have been restated to conform with the presentation adopted during the fourth quarter of 1993 by CT Financial Services.

Imasco Limited
Selected Eleven Year Financial Data
For the years ended December 31
In millions of dollars, except as noted

	1993	1992	1991
Operations			
System sales (unaudited)[1]	16,453	16,210	15,507
Revenues[1]	9,681	9,908	9,820
Amortization expense	328	314	291
Earnings from operations[1]	907	886	880
Interest expense	171	189	224
Provision for income taxes	192	180	180
Earnings before extraordinary items	409	380	332
Net earnings	409	380	332
Earnings per common share before extraordinary items	$3.26	$2.97	$2.56
Net earnings per common share	$3.26	$2.97	$2.56
Dividend record			
On preference shares[2]	20	27	27
On common shares	177	162	152
Per common share	$1.48	$1.36	$1.28
Cash provided from continuing operations	812	845	760
Additions to capital assets	296	296	246
Financial position			
Total assets–Financial Services[3]	46,132	44,265	42,188
Total assets	50,407	48,519	46,420
Long term debt[4]	1,896	1,959	2,078
Shareholders' equity			
6% Cumulative Preference Shares	6	6	6
Series D Preference Shares	150	150	150
Series C Preference Shares	–	200	200
Series B Preference Shares	–	–	–
Common shareholders[5]	2,944	2,702	2,457
Per common share	$24.70	$22.69	$20.63
Financial ratios			
Return on average common shareholders' equity[6]	13.8%	13.7%	12.7%
Interest coverage ratio	4.7x	4.1x	3.4x
Debt to total capital ratio[7]	37.9%	39.0%	42.5%
Common dividend payout ratio[8]	45.4%	45.8%	50.0%

Certain comparative amounts have been restated to conform with the current year's presentation.

1 Excludes the results of Peoples Drug Stores, Incorporated, which were reported separately as discontinued operations. The results of operations up to its disposition on September 17, 1990, during the last five fiscal years, were as follows:

	1993	1992	1991	1990	1989
Revenues	–	–	–	870	1,207
Earnings from operations	–	–	–	9	15

2 During the last five fiscal years, the Corporation has paid dividends on its outstanding preference shares on an annualized basis per share as follows: (1) 6% Cumulative Preference Shares – $0.29; (2) Series C Preference Shares – $1.84 to the date of redemption on July 17, 1993; and (3) Series D Preference Shares, from date of issue on March 22, 1989 – $39,500.

3 Excluding goodwill.

4 Reflects the refinancing of $200 million First Preference Shares Series C in 1993 and $300 million of Imasco Financial Corporation preference shares in 1990.

1990	1989	1988	1987	1986	1985	1984	1983
14,977	13,252	11,726	10,901	9,150	6,635	5,853	5,304
9,601	8,431	7,263	6,740	5,496	3,373	2,969	2,855
270	239	212	180	117	93	79	73
884	945	893	779	512	414	368	332
239	224	243	207	127	37	47	26
181	204	193	167	83	128	107	104
295	366	314	283	184	262	222	185
295	366	204	254	184	262	211	212
$2.25	$2.87	$2.51	$2.24	$1.55	$2.40	$2.19	$1.81
$2.25	$2.87	$1.59	$1.99	$1.55	$2.40	$2.07	$2.07
27	24	15	15	7	–	2	9
153	134	124	114	96	78	59	43
$1.28	$1.12	$1.04	$0.96	$0.84	$0.72	$0.59	$0.475
626	520	539	619	216	428	225	216
308	412	477	456	265	127	155	101
35,087	32,666	29,219	25,515	24,078	–	–	–
39,574	37,510	34,075	30,881	29,019	2,906	2,561	1,659
2,387	2,188	2,488	2,811	2,473	602	644	267
6	6	6	6	6	6	6	6
150	150	–	–	–	–	–	–
200	200	200	200	200	–	–	–
–	–	–	–	–	–	–	93
2,322	2,213	2,013	2,007	1,889	1,483	1,280	870
$19.49	$18.55	$16.89	$16.83	$15.86	$13.62	$11.75	$9.43
11.8%	16.2%	14.9%	13.7%	10.5%	18.9%	20.5%	22.6%
3.2x	3.8x	3.3x	3.5x	3.6x	10.7x	7.5x	12.0x
47.1%	46.0%	52.9%	56.0%	54.1%	28.8%	33.4%	21.6%
56.9%	39.0%	41.4%	42.9%	54.2%	30.0%	26.9%	26.2%

5 Common shareholders' equity includes unrealized gain or loss on foreign currency translation.

6 Earnings before extraordinary items less dividends on preference shares as a percentage of average common shareholders' equity.

7 Long term debt as a percentage of long term debt and total equity.

8 Dividend per common share as a percentage of current year earnings per common share before extraordinary items.

Imasco Limited
Operating Company Statistics – Six Year Review
For the years ended December 31
In millions of dollars, except as noted

	1993	1992	1991	1990	1989	1988
Imperial Tobacco						
Revenues[1]	2,860	3,050	2,953	2,708	2,386	2,018
Revenues, net of tobacco taxes and duties[1]	1,151	1,083	1,041	963	896	862
Earnings from operations	462	432	397	367	334	308
Inventories	353	398	392	380	381	321
Capital assets	147	140	123	125	119	113
Additions to capital assets	28	36	22	23	23	19
CT Financial Services[2]						
Investment income[3]	3,321	3,620	4,006	4,028	3,540	2,782
Provision for (recovery of) investment losses	205	236	115	70	30	(25)
Net investment income after provision for/ recovery of investment losses[3]	845	813	842	771	719	678
Earnings from operations (pre-tax earnings)	232	252	320	318	357	359
Net earnings	166	193	222	212	246	232
Net earnings attributed to common shareholders	145	181	210	201	240	232
Per common share						
Net earnings	$1.22	$1.52	$1.76	$1.70	$2.03	$1.97
Dividends paid	$0.80	$0.80	$0.80	$0.80	$0.75	$0.65
Shareholders' equity – fully diluted	$15.57	$15.04	$14.11	$13.15	$12.25	$10.95
Assets under administration (at book value)	165,712	138,088	124,008	103,612	74,096	67,401
Corporate assets	46,132	44,265	42,188	35,087	32,666	29,219
Loans	34,466	33,061	31,203	25,518	24,201	22,661
Deposits	40,420	39,181	37,594	32,475	30,403	27,320
Shareholders' equity	2,220	1,941	1,829	1,711	1,551	1,294
Financial services branches – Canada	389	373	349	338	331	317
– United States	82	68	67	–	–	–
Automated banking machines – Canada	643	441	323	296	275	241
– United States	63	51	43	–	–	–
Return on average common shareholders' equity – fully diluted	7.9%	10.2%	12.8%	13.2%	17.3%	19.0%
Return on average corporate assets	0.36%	0.45%	0.56%	0.63%	0.79%	0.85%
Investment loss experience as a percentage of investments	0.437%	0.224%	0.144%	0.129%	0.077%	(0.083)%
Allowance for investment losses as a percentage of non-performing investments	55%	37%	34%	47%	79%	164%
Shareholders' equity and non-controlling interest as a percentage of total assets	5.2%	4.8%	4.8%	5.4%	5.3%	5.1%
Estimated risk-weighted capital ratios[4]						
Tier 1 capital	8.59%	7.31%	7.01%	7.97%	7.69%	7.38%
Tier 2 capital	1.79%	1.13%	1.15%	1.40%	1.52%	0.89%
Total capital	10.38%	8.44%	8.16%	9.37%	9.21%	8.27%

1 Comparability is affected by the replacement of the Federal Sales Tax (FST) by the Goods and Services Tax (GST), effective January 1, 1991. Since the effective date, reported amounts exclude the GST, while the FST was previously included.

2 Statistics presented have been extracted from CT Financial Services' annual reports for the years ended December 31, 1993 and prior.

3 Prior year's amounts have been restated to conform with the current year's presentation.

4 Represent estimated risk-weighted capital ratios for CT Financial Services.

Imasco Limited
Operating Company Statistics – Six Year Review
For the years ended December 31
In millions of dollars, except as noted

	1993	1992	1991	1990	1989	1988
Shoppers Drug Mart						
Systems sales (unaudited)[1]	3,181	3,089	2,934	2,844	2,598	2,356
Revenues						
Sales	–	–	–	–	–	80
Service fees and other	181	172	162	148	136	115
	181	172	162	148	136	195
Earnings from operations	100	95	89	82	72	58
Capital assets	158	141	130	124	114	109
Additions to capital assets	50	41	31	34	27	34
Number of stores	690	678	671	645	633	613
Genstar Development Company						
Revenues	98	96	67	93	125	86
Earnings from operations	33	34	30	36	55	30
Land inventory	230	220	218	219	193	153
Land inventory (acres)	21,160	20,406	19,035	18,802	18,972	18,271
The UCS Group						
Revenues[1]	288	302	305	315	286	257
Earnings (loss) from operations	(6)	(4)	(2)	9	8	8
Inventories	33	44	47	45	37	35
Capital assets	18	19	22	23	21	20
Additions to capital assets	4	2	5	6	5	5
Number of stores	476	501	526	533	531	525
Hardee's Food Systems (In millions of **US dollars**, except as noted)						
System sales (unaudited)	4,957	4,753	4,376	4,146	3,503	3,306
Revenues						
Sales						
Company restaurants	1,127	1,171	1,144	1,201	920	888
Food, supplies, and other	814	701	611	569	523	483
Service and licence fees	94	84	75	77	66	60
	2,035	1,956	1,830	1,847	1,509	1,431
Earnings from operations	67	63	40	62	101	107
Inventories	60	58	56	58	57	56
Capital assets	595	637	677	739	465	433
Additions to capital assets	64	74	53	124	131	171
Number of restaurants						
Company-operated	1,197	1,234	1,249	1,352	1,086	1,070
Licensed	2,863	2,785	2,765	2,670	2,212	2,081
	4,060	4,019	4,014	4,022	3,298	3,151

1 Comparability is affected by the replacement of the Federal Sales Tax (FST) by the Goods and Services Tax (GST), effective January 1, 1991. Since the effective date, reported amounts exclude the GST, while the FST was previously included.

Imasco Limited

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Roy R. Schwartz, Senior Vice-President
Ron Farrell, Vice-President, Administration
Denis Faucher, C.A., Vice-President and Controller
Luc Jobin, C.A., Vice-President, Business Development
Hugh W. McAdams, C.A., Vice-President and Treasurer
Peter McBride, Vice-President, Public Affairs
Denise Perrault, Vice-President, Human Resources
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Édouard Darche, C.A., Assistant Treasurer
Pierre Leclerc, Assistant Secretary

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Michael A. Courtney, Executive Vice-President and
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Roger S. Ackman, Vice-President, General Counsel and Secretary
Robert Bexon, Vice-President, Marketing
Marius Dagneau, Vice-President, Human Resources
Pierre Duhamel, C.A., Vice-President and Controller
Patrick J. Dunn, Vice-President, Research and Development
Thomas F. Lee, Vice-President, Materials Management
Yvon Lessard, Vice-President, Manufacturing

CT Financial Services Inc.

161 Bay Street
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Peter C. Maurice, Vice-Chairman
W. Edmund Clark, President and Chief Executive Officer
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Christopher J. Stringer, Executive Vice-President, Corporate Services
William C. Thornhill, Executive Vice-President, Products
Robert J. Cummings, Senior Vice-President, Corporate and
Commercial Financial Services
Susan F. Dabarno, Senior Vice-President, Investor Services
G. Tom Gunn, Senior Vice-President, Capital Funds, and
Chief Financial Officer
Frank W. Pratt, Senior Vice-President and Corporate Advisor
Duncan F. Tilly, Senior Vice-President, Human Resources
Michael D. Woeller, Senior Vice-President, Information Services
Alan D. Wolfson, Senior Vice-President, Marketing
John L. Doran, Vice-President, Audit Services
Dianne K. Smith-Sanderson, Vice-President, Corporate Affairs
John A. Whaley, Vice-President, General Counsel and Secretary

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Thomas J. Mullin, Vice-Chairman and Senior Executive Vice-President
Mark H. Chaplin, Executive Vice-President,
Consumer Financial Services
Linda L. Williams, Executive Vice-President and Chief Financial Officer

Hardee's Food Systems, Inc.

1233 Hardee's Boulevard
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Robert F. Autry, President and Chief Executive Officer
Breen O. Condon, Executive Vice-President, General Counsel and Secretary
Richard L. Hall, Executive Vice-President and Chief Financial Officer
Jerry Gramaglia, Executive Vice-President, Marketing
Jim Jensen, Executive Vice-President, Operations
Gerald L. McGinnis, Executive Vice-President, Restaurant Development
James L. Jaffre, Senior Vice-President, International
Brent Michaels, Senior Vice-President, Operations Services and Training

Fast Food Merchandisers, Inc.

Rocky Mount, NC

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F. Winslow Goins, Chief Operating Officer
Dean Spangler, Executive Vice-President, Operations

Shoppers Drug Mart/Pharmaprix

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David R. Bloom, Chairman and Chief Executive Officer
Herbert R. Binder, President and Chief Operating Officer
Dale Daley, Senior Executive Vice-President, Operational Services
Marvin A. Goldberg, Senior Executive Vice-President, Legal and Corporate Affairs, and Secretary
Albert A. Krakauer, Senior Executive Vice-President, Professional and Organizational Development
Kenneth A. Sloan, C.A., Senior Executive Vice-President, Finance and Planning, and Chief Financial Officer
Stanley A. Thomas, Senior Executive Vice-President, Marketing
Fred K. Van Laare, Senior Executive Vice-President, Operations
Louis M. Goelman, Executive Vice-President, Purchasing and Logistics
Malcolm G. Swartz, C.A., Executive Vice-President, Administration
Gary MacPhee, Executive Vice-President, Atlantic
Claude Allard, Executive Vice-President, Pharmaprix
Marvin Kopstick, Executive Vice-President, Ontario East
Brian P. Relph, Executive Vice-President, Ontario Central
Isadore Snyder, Executive Vice-President, Ontario West
Cliff Proceviat, Executive Vice-President, Prairies
Terry Morrison, Executive Vice-President, B.C.
Bruce A. Burgetz, Senior Vice-President, Information Technology
Raymond A. Hallett, Senior Vice-President, Human Resources
Arthur Konviser, Senior Vice-President, Public Affairs
Stephen J. Langford, Senior Vice-President, Merchandising
Gordon Stromberg, Senior Vice-President, Advertising
Roman P. Niemy, President, Corporate Brands
Barbara E. Brocklebank, Vice-President, Cosmetics
Terry L. Creighton, Vice-President, Government Affairs and Environmental Issues

Genstar Development Company

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Vancouver, BC V6C 1S4

Les Cosman, President

The UCS Group

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Norman Latowsky, Chairman and Chief Executive Officer
David B. Stewart, President and Chief Operating Officer

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John F. Mathers, C.A., Managing Director

Luxembourg Branch

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Alan J. Perrier, C.A., Managing Director

Incorporation

Under Federal Charter on April 3, 1912. Continued under the Canada Business Corporations Act on August 6, 1976.

Shareholder and analyst contact

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(514) 982 6407

Other enquiries

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Stock exchange listings

Montréal, Toronto, Vancouver

Symbols

IMS Common shares
IMS.PR.A 6% Cumulative Preference Shares

Reporting calendar

The year end is December 31. The annual report is mailed in March, and interim reports are mailed in May, August, and November.

Dividend dates

Common shares and 7.90% Perpetual First Preference Shares Series D
- quarterly: at the end of March, June, September, and December.

6% Cumulative Preference Shares
- semiannually: at the end of March and September.

Debentures

- 11.85% due February 1996, interest payable February 15 and August 15;
- 10½% due November 1996, interest payable May 20 and November 20;
- 10½% due April 1998, interest payable April 28 and October 28;
- 10¾% due June 1999, interest payable June 15 and December 15;
- 10¼% due December 2001, interest payable June 18 and December 18;
- 9.85% due April 2002, interest payable April 22 and October 22;
- 8.375% due June 2003, interest payable June 23 and December 23.

Notes

- Medium term notes, interest payable February 15 and August 15.

Auditors

Deloitte & Touche
Chartered Accountants
1 Place Ville Marie, Suite 3000
Montréal, QC H3B 4T9

Transfer agent and registrar

The Montreal Trust Company
Stock and Bond Transfer Department
Place Montréal Trust
1800 McGill College Avenue, 7th floor
Montréal, QC H3A 3K9
(514) 982 7555

Montreal Trust is responsible for the maintenance of shareholder records and the issue, transfer, and cancellation of stock certificates. Transfers can be effected in their Montréal, Halifax, Toronto, Winnipeg, Regina, Calgary, and Vancouver offices. Montreal Trust also distributes dividends and proxy circulars. Enquiries with respect to these matters should be addressed to Montreal Trust.

Dividend reinvestment and share purchase plan

Imasco maintains a dividend reinvestment and share purchase plan for the benefit of common shareholders. Under the plan, eligible shareholders can elect to invest their dividends in additional common shares. They can also increase their holdings by making optional cash payments, subject to certain quarterly limits. In both cases, the brokerage fees are paid by Imasco. Further information on the plan can be obtained by contacting Montreal Trust at (514) 982 7666.

Direct dividend deposit service

For convenience and security, Imasco offers a direct dividend deposit service to its Canadian shareholders. The dividend payments are transferred electronically to the shareholder's bank account on the date they become due. Shareholders wishing to take advantage of this service should direct their request to Montreal Trust.

Payments of dividends to U.S. residents

Shareholders with addresses of record in the United States receive dividends in US funds. The dividend amount is converted at the Bank of Canada noon rate of exchange on the record date. Canadian withholding tax is deducted.

Shareholdings

On December 31, 1993, there were 8,436 registered holders of Imasco common shares. Ownership of the various classes of shares was distributed by country as follows:

	Common Shares	6% Preference Shares	7.90% Preference Shares Series D
Canada	58.74%	98.93%	100%
United States	0.50%	0.07%	–
U.K.	40.72%	0.88%	–
Other countries	0.04%	0.12%	–
	100%	100%	100%

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